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## ABSTRACT

Since appropriations for construction and operation of the Uniformed Services University of the Health Sciences fall within the purview of two Senate subcommittees, Military Construction and Defense, joint hearings were held on March 21, 1977. Included with transcripts of the hearings are other prepared statements and data relating to the retention of military physicians, comparative costs of medical education, comparative income and benefits of military and nonmilitary physicians, military physician recruitment, and the advisability of discontinuing funds. (MSE)

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# *Senate Hearings*

*Before the Committee on Appropriations*

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## Uniformed Services University of the Health Sciences

*Fiscal Year 1978*

95<sup>th</sup> CONGRESS, FIRST SESSION

**PART 7—Special Joint Hearing:**  
Subcommittees on Defense/Military Construction

**UNIFORMED SERVICES UNIVERSITY OF THE HEALTH  
SCIENCES**

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**HEARING  
BEFORE  
SUBCOMMITTEES OF THE  
COMMITTEE ON APPROPRIATIONS,  
UNITED STATES SENATE  
NINETY-FIFTH CONGRESS  
FIRST SESSION**

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Printed for the use of the Committee on Appropriations

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**PART 7  
SPECIAL JOINT HEARING  
Subcommittees on Defense/Military Construction**



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(III)

# UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES

MONDAY, MARCH 21, 1977

U.S. SENATE,  
SUBCOMMITTEES ON DEFENSE/MILITARY CONSTRUCTION,  
*Washington, D.C.*

The joint subcommittees met at 10:05 a.m., in room 1223, Everett McKinley Dirksen Office Building, Hon. John L. McClellan presiding.

Present: Senators McClellan, Stennis, Proxmire, Johnston, Huddleston, Sasser, Young, and Bellmon.

Also present: Senator Ford.

## DEPARTMENT OF DEFENSE

### HEALTH AFFAIRS

STATEMENT OF HON. ROBERT N. SMITH, M.D., ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

#### ACCOMPANIED BY:

PERRY J. FLIAKAS, DEPUTY ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND HOUSING), OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS)

COL. BOBBIE BASS, DEPUTY DIRECTOR FOR HEALTH MANPOWER PROGRAMS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

JOHN DEXTER, DEPUTY DIRECTOR FOR BUDGET AND COST ANALYSIS, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

#### COMMUNICATIONS

Chairman McCLELLAN. The meeting will come to order.

Senator Johnston, chairman of the Military Construction Subcommittee of the Committee on Appropriations, requested this joint hearing with the Defense Subcommittee since funds appropriated for the construction and operation of the Uniformed Services University of the Health Sciences fall within the purview of both subcommittees. A copy of Senator Johnston's request will be placed in the record at this point, along with the reply to his request.

[The letters follow:]

(1)

# United States Senate

COMMITTEE ON APPROPRIATIONS  
WASHINGTON, D.C. 20510

February 28, 1977

Honorable John L. McClellan  
Chairman, Subcommittee on Defense  
U.S. Senate Committee on Appropriations  
Washington, D.C. 20510

Dear John:

As I am sure you are aware, President Carter's recent amendments to the fiscal year 1978 budget included a \$14 million adjustment to the Department of Defense request, reflecting planned closure of the Uniformed Services University of the Health Sciences. Given all that has gone before, this action has understandably disturbed many members of the Subcommittee on Military Construction.

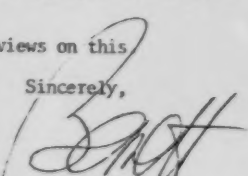
Over the past several years, this Subcommittee became deeply involved in and served as a locus of debate over the future of this University. We received much testimony and engaged in considerable debate on its cost effectiveness and need. As a result, some \$79.9 million in Military Construction funds was appropriated, the majority of which is now obligated. Initial construction is half complete. At this juncture, we are suddenly told that it was all a mistake.

While the subject budget action is not under this Subcommittee's immediate jurisdiction, I am sure you will share my conviction that our past involvement carries with it a responsibility to investigate fully the basis for the current proposal. I know you are also concerned over the best and most cost-effective method of satisfying physician needs of the military and public health sectors.

Since this matter is of strong mutual interest, it would seem that the best procedure would be for our two subcommittees to jointly receive testimony on the proposal from both Administration officials and supporters of the University. We would then be in a better position to determine an appropriate course of action to pursue.

I would greatly appreciate your views on this

Sincerely,

  
J. Bennett Johnston  
Chairman  
Subcommittee on Military  
Construction

March 3, 1977

The Honorable J. Bennett Johnston  
United States Senate  
Washington, D. C. 20510

Dear Bennett:

I have your letter of February 28 with reference to the Administration's proposal to close the Uniformed Services University of the Health Sciences.

The University is a matter of interest to the Defense Subcommittee, and I fully agree that a hearing on the latest proposal is in order. I have asked the staff to arrange a date convenient to both subcommittees for a joint hearing.

With kind regards, I am

Sincerely,

John L. McClellan  
Chairman

## ISSUE OF CONCERN TO CONGRESS

Chairman McCLELLAN. I was glad to grant his request, because this is an issue that is of concern and I believe so important, that it is worthy of very careful consideration before we make final disposition of it.

Before proceeding to hear the first witness scheduled today, Dr. Robert N. Smith, Assistant Secretary of Defense for Health Affairs, the chair will welcome any opening remarks from members of the subcommittees present. To begin with, I recognize Senator Johnston as chairman of the Military Construction Subcommittee.

Senator Johnston, you are recognized.

## COMMENTS BY SENATOR JOHNSTON

Senator JOHNSTON. Thank you very much, Mr. Chairman, and thank you very much for calling this hearing.

I became interested in this project 2 or 3 years ago when I first came on this committee, partially because I am interested in medical schools, having authored a bill in the State legislature to create one, partially because my colleague in the House, Eddie Hébert, was sort of the father of the school, and partially because it was just a very big expenditure which I thought needed very careful analysis.

Frankly, I came to the support of this school 2 or 3 years ago rather reluctantly and hesitantly because it seemed to me a tremendous expenditure, but we examined all the evidence at that time and made a judgment that we ought to continue with the school, that it was cost effective.

Now we are about \$86 million down the construction pike. We are most of the way toward completion of that school, and if it was cost effective in our judgment back 2 or 3 years ago, then it is even more so today.

The problem, on considering whether this school is cost effective, is that you never get to comparing apples to apples. It is always apples to oranges. For example, there is one report here that seeks to compare the cost of this school with that of the scholarship program, and it states, incredibly, that the University cost is \$487,000 per graduate, and only \$180,000 for the scholarship program. Now, what they don't compare is the comparison between staff years. In other words, what does it cost you to put a doctor in the field per year, because that is the commodity we want—a doctor out there treating patients. If you put in all the costs that go into that scholarship program, including so-called capitation grants that are given by the Federal Government to every medical school for every student, then you will find that on a dollar-for-dollar basis, it is cheaper at the University. Not only is it cheaper, it is better for morale.

I mean, what are these Army and Navy doctors going to think if we close down their school out here after we have spent, what did we say, \$80 million on it, \$86 million on it? I mean the morale is going to be very, very deeply affected.

One final note. I went down to New Orleans this past weekend with Max Cleland, who is head of the Veterans' Administration, to look at our hospital down there and to determine what expansion it needed.

One of the most difficult problems we have got, something that came up over and over again, is that we are having trouble with our foreign doctors down there because they can't communicate in the language.

I forget what the specific figures are, but it seems to me that over 60 percent of the doctors in our VA hospital down there are foreign born. And why? Because we have got a dramatic shortage of doctors in this country. I don't care how you compare the cost of the University against the scholarship program; I know there is a shortage of doctors, because if there wasn't, you wouldn't have to have 60 percent foreign-born doctors in our VA hospitals who can't speak the language. I mean, these are good jobs in New Orleans, and they pay well, and yet we don't have enough doctors that are American born, American educated and English-speaking to take those jobs, and I think that is the most powerful argument for continuation of a program which is already started and \$86 million down the pike.

Thank you, Mr. Chairman.

Chairman McCLELLAN. Thank you, Senator Johnston.

Senator Young?

#### COMMENTS BY SENATOR YOUNG

Senator Young. Well, just a short statement. We have had a real shortage of doctors for years, and the situation isn't getting better; it is getting worse. Our medical schools are full. We apparently don't have enough medical schools. In my own State of North Dakota, there are many counties that don't have a doctor at all. My own county is one. Our small State, with a little over 600,000 people, 2 years ago embarked upon a 4-year medical school. We can hardly afford to do it, but we have to have doctors.

If you are going to educate all the military doctors in the public schools, then we are going to be more short of doctors. Somehow, some way we have to have more schools and more doctors, and since this is well on the way, I strongly believe it should be continued.

Chairman McCLELLAN. Senator Stennis?

#### COMMENTS BY SENATOR STENNIS

Senator Stennis. Well, Mr. Chairman, I am here to try to get the trail of the facts in this entire matter. I am going to stay as long as I can and pursue the record, but I am glad you are holding the hearing. I think it is very timely.

I supported the school, and so forth. About what Senator Young mentioned, I'll not try to develop this at all. He mentioned the need for the doctors by the people at large, and I get that in the mail and fellow Senators, Members of the House. If there were some plan worked out to go along with this one of getting more medical schools, period, not for any one group, just for the people, I don't think there is any doubt we are going to have to come to that. Now might be a good time, in order to save this one, to really go into the matter of seeing what could be done in the other direction, too. It certainly would give support to the idea of keeping this one—and there is a difference between them, but there is certainly no conflict—and this points down to where you need votes. It takes votes to get appropriations.

Thank you.

## INTRODUCTION OF WITNESS

Chairman McCLELLAN. We will proceed now to hear Dr. Robert N. Smith, the Assistant Secretary of Defense for Health Affairs.

Dr. Smith, we welcome you. Would you identify for the record your assistants who are accompanying you, so that we may also call upon them to answer questions.

## STATEMENT OF DR. ROBERT N. SMITH

Dr. SMITH. All right, sir. Good morning, Mr. Chairman and members of the subcommittee. I am Dr. Smith, Assistant Secretary of Defense for Health Affairs. I have been designated to represent the Defense Department in connection with these hearings on the Uniformed Services University of the Health Sciences.

I have with me on my left Mr. Fliakas, who is the Deputy Assistant Secretary of Defense for Installations and Housing; on my right, Colonel Bass from my office, whose office is Manpower; and Mr. John Dexter, who is Deputy Director for Budget and Cost Analysis in my office.

The statement which I would like to present to the committee addresses the Department's decision to terminate the University, the basis for that decision, and our current plans for disposition of the resources.

## ORIGINS OF UNIVERSITY

First, I would like to discuss briefly the atmosphere in which the bill authorizing the University was enacted into law. As you will recall, the draft ended in 1973, and the Defense Department was to be manned by an All-Volunteer force. One of our prime concerns was how to attract sufficient numbers of physicians into the services without a draft. Various studies and reports highlighted a national physician shortage and forecasts predicted a shortage in the future. Since retention of physicians in the military had been a problem since World War II, there was considerable concern by the Department and the Congress regarding the changes that would be necessary in order to attract and retain enough physicians to meet Defense requirements. You may recall that the administration opposed the bill authorizing the University, although Secretary Laird gave his personal support to the bill in 1971.

In 1972, the Congress passed the Uniformed Services Health Professions Revitalization Act, known as H.R. 2. The legislation authorized the establishment of a Uniformed Services University of Health Sciences and the Armed Forces Health Professions Scholarship Program. The scholarship program would begin to provide physicians to meet the short-term needs while the University was intended to offer a solution in the long term by providing a nucleus of career-oriented physicians.

In addition, there was considerable concern about the low retention rate of physicians in the Armed Forces. To better compete with physicians' pay in the civilian sector and thereby improve physicians retention, Variable Incentive Pay was enacted in May 1974. We have experienced a steady improvement in physician retention since that time.

## COST ANALYSIS

Since enactment of H.R. 2, the University issue has been the subject of debate in the Congress on numerous occasions. The issue of the cost of producing physicians through the scholarship program versus the University has been thoroughly studied by the Congress and the Defense Department. The House Appropriations Committee's surveys and investigations staff, the Defense Manpower Commission, the General Accounting Office, and studies by the University all produced varying results. The GAO report to the Congress, which was issued on May 5, 1976, includes a thorough evaluation of all previous studies and provides a cost-effective analysis which appears to be a sound basis for comparing the cost of both programs and is appropriate as a basis for choosing one alternative over the other.

The GAO analysis showed that the total cost per staff year of expected physician services would be \$21,444 for the scholarship program as compared to \$26,236 for the University. The result of this study was one of three key factors in the decision on February 22, 1977, to terminate the University, the other two factors being the increased availability of physicians, and our improved retention rate. Thus the Defense Department believes the decision to close the University is a sound decision which is based on a thorough analysis of costs and the projected needs of the Department.

## TERMINATION PLAN

All of the details of termination have not yet been resolved; however, we intend to have a detailed plan by early April which will offer alternatives for use of the facilities and a plan for relocation of the students. Insofar as possible, we will minimize the disruption of the personal lives of the students. The 32 students currently enrolled will complete their first year at the University, and then be relocated to other medical schools in September. They will continue in their present status and continue their education with a full scholarship. The Association of American Medical Colleges has agreed to assist in placing the students in other medical schools.

In addition, we are reviewing our requirements for the National Capital Area, including medical projects, to determine other needs that these buildings might satisfy. Requirements of the National Institutes of Health are also being reviewed.

Finally, in evaluating this decision, we must consider future costs of operating the University relative to output. Current projections indicate the Department will save \$14 million in fiscal 1978, \$20 million in fiscal 1979, and in the 1980's, the projections indicate that the Department will save \$20 to \$30 million each year in recurring operating costs.

This is significant when we consider that the first 32 students are not scheduled to graduate until 1980.

Sir, this concludes my formal statement. I will be pleased to answer any questions that you may have regarding this matter.

## USE OF BUILDING

Chairman McCLELLAN. Do I understand that the decision was made to close this school before any determination was made as to the ulti-

mate loss that would be sustained in its construction? You don't have any other use for the buildings yet?

Dr. SMITH. Yes, sir, there are projected uses for it in terms of other uses as well as medical matters, possibly by the National Institutes of Health. There is a proposal that it might be used for a medical school which would support the District of Columbia University in their desire to have a medical school. There are a number of proposals. Maybe I should ask Mr. Fliakas.

#### STATEMENT OF PERRY J. FLIAKAS

Chairman McCLELLAN. Let us hear some of those proposals.

Mr. FLIAKAS. Mr. Chairman, we would first look at other Department of Defense alternate uses. We have many alternate uses within the National Capital Region, for example, in high cost commercial leases that could be proposed for occupancy.

Chairman McCLELLAN. Doesn't the Government lease a lot of space here now anyway?

Mr. FLIAKAS. That is correct. We will look at the avoidance of high lease costs and the application or the use of this facility for those occupants. We are also looking at future cost avoidance in military construction. For example, there is a proposal in the 1979 program for a very large facility for Bolling Air Force Base.

Chairman McCLELLAN. What kind of a facility is proposed and for what purpose?

Mr. FLIAKAS. It is for the Defense Intelligence Agency.

Chairman McCLELLAN. Would this building be suitable for use by the Defense Intelligence Agency?

Mr. FLIAKAS. We are looking at that now. We propose to provide funds to the architect engineering firm who is designing the facility to see if this facility could be adapted for that purpose. We are not confining our examination to just this one occupant, but I am giving you examples of the kinds of large blocks of people that we could, within the Department of Defense put into this facility.

Chairman McCLELLAN. Would not a building constructed for a medical school need a lot of alterations to met the needs of office space for the military?

Mr. FLIAKAS. Well, Mr. Chairman, we would redesign the interior of the building.

Chairman McCLELLAN. It is already built, isn't it?

Mr. FLIAKAS. There are two increments, if I might recall for the committee. The first increment was authorized for \$15 million. It is under construction now, about 80 percent complete, and it will provide 180,000 square feet. We propose to finish this building. The total cost will be about \$11.7 million, a considerable savings over the amount—

Chairman McCLELLAN. You don't propose to finish the second building?

Mr. FLIAKAS. The second increment was authorized for some \$65 million. This would provide a much larger building, about 350,000 square feet, plus a very large underground parking structure for about 980 automobiles.

Now, we have to make a decision about the first of May, sometime this spring, as to just what we should do with respect to the status of that construction. It is about 17 percent complete.

Chairman McCLELLAN. The second building is 17 percent completed?

Mr. FLIAKAS. That is all, yes, sir, and what we would propose, or one of the alternatives would be——

Chairman McCLELLAN. Is the construction work under contract?

Mr. FLIAKAS. Yes, sir.

Chairman McCLELLAN. How much of it is under contract?

Mr. FLIAKAS. The entire amount is under contract.

Chairman McCLELLAN. It is all under contract.

Mr. FLIAKAS. Yes, sir.

#### PENALTIES IN CONTRACT LIQUIDATION

Chairman McCLELLAN. Then you would have a loss in liquidating those contracts, wouldn't you?

Mr. FLIAKAS. Yes, sir, we would. There would be penalties if we were to terminate the contract. One of the proposals that we would review and recommend to the Secretary is to complete the shell of the building and then redesign the interior for other uses. That is a feasible alternative, and one that I think we would recommend.

Would you be interested in some of the figures, sir?

Chairman McCLELLAN. All right.

What is the building scheduled to cost now? I believe you said about \$65 million?

Mr. FLIAKAS. The increment 2——

Chairman McCLELLAN. Increment 2 is what we are talking about now. The first building is being completed, I assume.

Mr. FLIAKAS. That is correct.

Chairman McCLELLAN. The first building is what percent complete now?

Mr. FLIAKAS. It is about 78 or 80 percent complete.

Chairman McCLELLAN. It is about 80 percent complete?

Mr. FLIAKAS. Yes, sir.

Chairman McCLELLAN. And you are planning to finish that building, according to design.

Mr. FLIAKAS. That is correct.

Chairman McCLELLAN. The second increment is about 17 percent complete.

Mr. FLIAKAS. That is correct.

Chairman McCLELLAN. And all of it is under contract.

Mr. FLIAKAS. Yes, sir.

Chairman McCLELLAN. And if the contract is terminated, there would have to be adjustments paid to these contractors.

Mr. FLIAKAS. The amount that has been obligated is about \$56 million to complete increment 2.

Chairman McCLELLAN. \$56 million.

Mr. FLIAKAS. That is correct.

Chairman McCLELLAN. Out of the \$65 million that was authorized.

Mr. FLIAKAS. \$65 million was programed.

Chairman McCLELLAN. So there is about \$9 million that isn't obligated.

Mr. FLIAKAS. That is correct. This is due to the favorable bids we received on this structure.

The \$56 million total includes some \$18.7 million that is required for utilities, roads and other support items to support not only the medical university but the hospital addition as well.

Now, I don't know if you are familiar with this, but the main utility plant, that is the energy plant and utilities, were designed to support both the medical university and the Bethesda Hospital addition that is now under construction. So there is about \$18.7 million that is chargeable to the medical university. In addition to that, there was obligated for construction of increment 2 some \$37 million, and that would be to complete increment 2 as it is now designed.

#### OPPOSITION TO UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES

Chairman McCLELLAN. Dr. Smith, did I understand you to say the Defense Department opposed the construction of this medical school from its inception?

Dr. SMITH. No, sir, not the Defense Department. I said the administration did, sir. It was opposed by several of the secretaries, but it was supported by Secretary Laird when he was Secretary.

Chairman McCLELLAN. What administration opposed it? You said it was opposed by the administration; which administration do you mean?

Dr. SMITH. The Republican administration up until the time that the President signed the bill, at which time he then approved it, but it was opposed in hearings initially by the administration.

Chairman McCLELLAN. It might have been opposed initially, but when funds were requested to build the school, did the administration oppose it then?

Dr. SMITH. No, sir.

Chairman McCLELLAN. Did the Defense Department oppose it then?

Dr. SMITH. No, sir.

Chairman McCLELLAN. At the time the school was inaugurated, the administration was committed to it. Everybody seemed to favor it.

Dr. SMITH. Yes, sir, when it was passed and signed, it was favorable.

Senator JOHNSTON. If the chairman would yield, you still favor it, don't you, Dr. Smith?

#### COST CONSIDERATIONS

Dr. SMITH. I have indicated in other testimony, sir, that on the basis of cost effectiveness, without regard to the intangibles, that it is more economical to provide physicians for the Armed Forces through the scholarship program than it is through the university. The Secretary, in making his list of priorities in which he has to commit money to carry out those priorities, when he came to the decision about the most economical way to obtain physicians, elected on that basis to select the scholarship program as a source of physicians, and our figures show that we can in fact acquire those physicians.

Senator JOHNSTON. The answer to my question is "Yes"?

Dr. SMITH. No, sir, the answer to your question is not "Yes."

Senator JOHNSTON. Excuse me, Mr. Chairman.

Chairman McCLELLAN. He has his explanations on both sides. Please proceed. Do you have anything further?

Mr. FLIAKAS. The entire cost for completion of both increments 1 and 2, including design and planning moneys, would be about \$73 million.

Chairman McCLELLAN. Instead of around \$80 million?

Mr. FLIAKAS. As compared with some \$85 million that has been appropriated for this purpose.

Chairman McCLELLAN. In other words, we overappropriated money for the construction of these buildings.

Mr. FLIAKAS. No, sir, we have just had very excellent bids, as a result of the good bidding climate that we enjoy now because of the depressed construction industry. This is not unusual in military construction. For example, we have been running some 15 to 17 percent in some projects below the Government estimate.

Chairman McCLELLAN. That is good news if the bids are below the estimated cost.

#### COMPLETION OF BUILDING SHELL

Mr. FLIAKAS. We did obtain excellent bids, so what I am saying, sir, is to complete the shell of the building, as well as full completion of the first increment would come to some \$63.6 million.

Chairman McCLELLAN. \$63.6 million? However, in one of them, you would only have the shell of the building.

Mr. FLIAKAS. That is correct.

Chairman McCLELLAN. To utilize it for any purpose, you would have to finish it in some fashion.

Mr. FLIAKAS. That is correct. We would have to redesign. We would come to the committee for authorization to convert it to another purpose.

Chairman McCLELLAN. Do you feel you are authorized to complete the shell, or would you have to get authorization to complete it?

Mr. FLIAKAS. I believe, sir, that we will make full disclosure to the committees of our plans once it is decided. I am merely indicating now what the alternatives are. Once we have decided—

Chairman McCLELLAN. Knowing that you are not going to carry out the original intent of the authorization, do you feel that you have the authority to go ahead and complete the shell? Do you feel you would be keeping good faith with Congress, after knowing that you are not to carry out the project originally authorized?

I don't know whether you have the authority.

Mr. FLIAKAS. Well, may I start again?

Actually we have several alternatives. We could stop construction.

Chairman McCLELLAN. Let's talk about the shell now. Let's not stray away. Let's stay on that subject for a minute.

Mr. FLIAKAS. I believe we have the authorization to proceed with the shell of the building and that would buy time. It would take until the middle of next year to do that, and in the meantime we would seek authorization from the Armed Services Committees to convert or adapt the building for other purposes.

Chairman McCLELLAN. But since you know the Defense Department is recommending the cancellation of this project, I think you have a duty now to let the Congress make a decision before you proceed in incurring other expenses.

Mr. FLIAKAS. May I respond to that, sir?

Chairman McCLELLAN. Considering that you are recommending the cancellation of the project, I wonder whether you have a right to continue to spend money. You may legally have it, but I doubt the practicality of it. I am not sure what the Congress is going to decide to do after you build the shell, and neither are you.

#### ALTERNATIVES IN CONSTRUCTION

Mr. FLIAKAS. Well, if I might talk to the practicality of it.

If you are suggesting that we have the alternative of stopping, tearing out the construction and restoring the site, that of course is an alternative. It is estimated by the construction agent that that would end up costing some \$57 million, after all of the termination costs and the restoration of the site. What we would end up with under that alternative is one facility at 180,000 square feet, that we indicated we are too far along to stop, at a cost of some \$57 million.

Now, the second alternative would be, at the appropriate time this spring—and we have not exercised the contractors yet because that costs money—we believe that in the next 30 to 60 days a decision must be made whether to stop at what we call the plaza level. Now, this would complete the underground parking, and give us the ability to provide a super-structure of a new building at another date. We could stop there, cover the ground, and thus end up, for \$57 million, with the one building plus an underground parking garage.

Now, the third alternative that I indicated, would be to complete the shell of the building, at a total of \$63.7 million. There we would end up, for just \$7 million more with the shell of a building. This comes to about \$20 a square foot and you just cannot find those costs anywhere.

So we believe that the most cost effective alternative will prove out to be to at least complete the building and then see where we go from there.

Chairman McCLELLAN. Let me make a comment at this point. As I see it, the crucial question is whether, after this building is completed, the cost of operating it in the context of the Uniformed Services University of Health Sciences will be more excessive than the cost of securing doctors from already existent medical schools. That, as I understand it, is the reason why you want to abandon this school. You feel you can get doctors with less expense from the regular established colleges and universities through the health professions scholarship program, than you can by proceeding with this project.

Is that what you are saying?

Mr. FLIAKAS. Sir, I am only speaking from the standpoint of the physical facility.

Chairman McCLELLAN. From that standpoint, what have you profited if you close this school down and it costs you more to obtain doctors these other ways? The only way I can see any justification for canceling the school is that, over a period of years, the Government will save money, and probably a lot of money, by simply relying upon existing sources for acquisition of the medical skills that it needs.

Now, if that is going to be much cheaper than the operation of this school, there may be some merit in the proposal. But as it is, I can see

no merit in it at this point. This is the issue with me as I have just laid it out here, and I want to follow through on that and have the benefit of all the testimony we can get along that line.

Senator Young?

#### AVAILABILITY OF DOCTORS

Senator Young. I just have two questions.

Dr. Smith, you said one of the considerations in the closing was a matter of better availability of doctors now than 2 or 3 years ago.

Is that correct?

Dr. Smith. Yes, sir.

Senator Young. Two or 3 years ago we paid a bonus for doctors to enlist, didn't we?

Dr. Smith. Yes, sir, the variable incentive pay.

Senator Young. I think they had the answer at Luke Air Force Base last fall, 1 year ago. The senior doctor was out there, and I got to discussing the doctor situation. I asked him if he has a doctor problem, a shortage problem, and he said no, and I was quite surprised, and I said why. And he said well, mostly because of the malpractice insurance is so high that a lot of doctors would rather go in the service than pay the high price for malpractice insurance. A lot of them cannot afford to pay it. That was the reason he gave me.

And just one thing, talking about a shortage of jobs now, that is true, but this would create an even greater shortage. We have a bill now before the Senate, \$22 billion, much of it to provide more jobs, and I can't think of a better way of providing jobs than this way, and getting something out of it.

Chairman McClellan, Senator Johnston?

#### PROGRAM BUDGET DECISION NOVEMBER 1976

Senator Johnston. Dr. Smith, on November 16, 1976, your opinion was officially asked by the Assistant Secretary of Defense at that time, on whether you concurred in the judgment to shut down this medical school. Your reply was as follows, and let me read this. It is only a paragraph long. Dr. Smith says:

Nonconcur. The Uniformed Services Medical School will provide a nucleus of career-minded health professionals which is considered to be essential to the effective accomplishment of the military medical mission. The University will add to the supply of needed doctors, particularly in the primary care area. The University will assist the military in retaining outstanding physicians by offering them opportunities to pursue careers in academic medicine while remaining on active duty. Also, the school will serve as the vehicle by which military physicians will receive professional and academic recognition for significant accomplishments and contributions in medicine. This institution is in a unique position to develop models in medical education and health care delivery systems. The University will train global military physicians as well as being a repository of knowledge on worldwide medical problems. All of these benefits will make the Uniformed Services Medical School a truly national health resource. Based on the above, I strongly recommend that the service estimate be accepted.

Signed, Robert N. Smith, and I would like to offer this for the record.

Chairman McClellan. It will be printed in the record at this point. [The memorandum follows:]

## PROGRAM BUDGET DECISION—USUHS

Memorandum for Assistant Secretary of Defense (C).

Subject: Program budget decision (OP-53)—USUHS.

Nonconcur. The USUHS will provide a nucleus of career-minded health professionals which is considered to be essential to the effective accomplishment of the military medical mission. The University will add to the supply of needed doctors, particularly in the primary care area. The University will assist the military in retaining outstanding physicians by offering them opportunities to pursue careers in academic medicine while on active duty. Also, the school will serve as the vehicle by which military physicians will receive professional and academic recognition for significant accomplishments and contributions in medicine. This institution is in a unique position to develop models in medical education and health care delivery systems. The University will train global military physicians as well as being a repository of knowledge on worldwide medical problems. All of these benefits make the USUHS a truly national health resource.

Based on the above, I strongly recommend that the service estimate be accepted.

ROBERT N. SMITH, M.D.

## COST ESTIMATES

Senator JOHNSTON. Now, Doctor, I understand that the administration of which you are a part has come up with a different estimate now on cost. Your judgment, though, did not deal altogether with cost. You put in a lot of other factors which I think also were very important, and I think you have phrased it very well.

With respect to the facts you put in this judgment, are any of those facts wrong?

Dr. SMITH. No, sir. I would support that statement again if, on the second line, the word "essential" were to be replaced by "certain to improve", and then it would read "which would be considered certain to improve the effective accomplishment of the military medical mission." I think the word "essential" at that time was too strong a word to use, but all of the rest of it I would support.

But I would agree with you, sir, that this was a reclama to the program budget decision which came from the Ford administration which at that time proposed not to fund the University. That came, I think, in November. It must have been the 15th of November, because if this is dated the 16th, we get about 6 hours to reply to these things normally.

The reply had to do with the intangibles which are listed there and which are important. The present Secretary, Secretary Brown, as I indicated before, made the decision on the basis of the bottom line, that we can get suitable physicians from the scholarship program more economically than we can get them from the Uniformed Services University.

Senator JOHNSTON. I understand Secretary Brown's decision and I respect your duty as a loyal soldier to have to support that. I mean, that is what the administration is all about.

At the same time, this is the Carter administration and we are candid, and in all candor what you are telling us is that you still strongly support the service estimate with respect to this hospital.

Isn't that correct?

Dr. SMITH. I support the intangible benefits that I have listed there, sir, but if those are ruled out, which is what in essence the Secretary has said, we can get suitable physicians from the scholarship program,

that those benefits are not of sufficient import, that it is to be paid for by that difference in cost.

Senator JOHNSTON. Now, Dr. Smith, I am giving you a chance to recant on any part of this letter, and the only part you recanted on was that you said "certain to improve" ought to replace "essential to improve."

Dr. SMITH. Yes, sir.

#### INTANGIBLES A FACTOR

Senator JOHNSTON. And other than that, it is still your opinion.

Dr. SMITH. Yes, sir.

Senator JOHNSTON. And it doesn't say a word here about just based solely on the intangibles. It was your judgment as a physician who has looked at a proposal for a military hospital. I mean a military medical school, and you say you strongly think we ought to have one.

Isn't that the fair import of your letter?

Dr. SMITH. No, sir, I think you have to consider that reclama as a response to PBD, and unless you look at both of these things, I don't think the reply is in the proper context.

The PBD was financial, and it points out the same thing that the GAO report did. My response to Secretary Clements at that time was in terms of intangibles, saying that if you believe that these intangibles are of sufficient benefit to spend this additional amount of money, then you should do it. Mr. Clements decided in our favor.

Secretary Brown says those benefits are not of sufficient import and that we can get adequate physicians from the scholarship program, and therefore, this is the most economical way to go. The money saved will be used for other priorities in the Defense Department.

#### COST COMPARISONS

Senator JOHNSTON. All right, let's get to this question, really, the whole heart of your statement as I read it, that an expected cost of a staff year would be \$21,444 for the scholarship program as opposed to \$26,236 for the University.

Dr. SMITH. Yes, sir.

Senator JOHNSTON. Is that correct?

Now, does the figure of \$21,444 include all of the Federal costs of the scholarship program?

Dr. SMITH. It includes the costs of tuition, the cost of subsistence allowance, which is \$400 a month.

Senator JOHNSTON. The answer is that it does not.

Dr. SMITH. It includes the equivalent of what we are trying to compare it with, I believe, sir.

Senator JOHNSTON. The answer to the question is very plainly no, that it does not include all the costs.

Dr. SMITH. No, it doesn't include all Federal costs, but I am saying all Federal costs cannot be charged to the scholarship program. There are two other estimates.

#### FEDERAL COSTS INVOLVED

Senator JOHNSTON. Well, let me ask the question if I may. It does not include all Federal costs.

What Federal costs does it not include?

Dr. SMITH. There are two other estimates in the GAO report which were delivered to Chairman Price at his request. One supposed that all Federal moneys—

Senator JOHNSTON. Well, if you would just answer my question, can you tell me, do you know what Federal costs are not included in the \$21,000?

Dr. SMITH. Yes, sir.

Senator JOHNSTON. Would you give me that answer?

Dr. SMITH. The costs that are not included in the \$21,000 are the Federal moneys that go to medical schools for whatever purpose.

Senator JOHNSTON. OK.

Do you know what those funds are? There is a capitation grant per student that goes to medical schools, is there not?

Dr. SMITH. Yes, sir.

Senator JOHNSTON. Now, what other Federal costs are there?

Dr. SMITH. There are research grants that—the total Federal contribution to medical schools is about \$1.019 billion a year.

#### COST PER STUDENT OF SCHOLARSHIP PROGRAM

Senator JOHNSTON. All right, now, if you include all of those Federal costs and bring them out of your computer over here in terms of a staff year, then the cost of a student for the scholarship program is about \$32,000, isn't it?

Dr. SMITH. That is if you charge everything to the scholarship program.

Senator JOHNSTON. Including research and all that.

Dr. SMITH. Right, yes, sir.

Senator JOHNSTON. Now, when you arrived at your figure here of \$26,236 for the University, you included your research, though, did you not?

Mr. DEXTER. Yes, that is included.

Senator JOHNSTON. Well, now if we are going to compare apples to apples, why don't you put your research costs on your civilian medical schools along with your research costs for your military medical schools? Wouldn't that give you a more comparable figure?

Dr. SMITH. Well, Senator, there will be some research at the Medical University, but I don't think that it will be to the same degree as occurs in civilian schools.

Senator JOHNSTON. Don't we have some figures on that?

Dr. SMITH. HEW is authorized to carry on medical research in the Government. I think the research that will be done in civilian schools would have to be related to military medicine. There is another factor.

Senator JOHNSTON. I think we have got some figures on that, actually. I don't know whether it comes from GAO or—yes.

Now, according to the University, they have estimated that as much as 60 percent of the total operating cost of the university will not be attributable to its educational mission. Now, if you don't take the 60 percent, but just take 50-50, then the total staff year at the University comes down to \$22,920. I don't know how you segregate out whether it is 60 percent or whether it is 50 percent, but certainly it is a considerable amount.

What I am getting at, Dr. Smith, is that you can argue this thing any way you want, but when you really get down to apples and apples, it looks to me like it is a pretty good bargain for this medical school, not even taking into consideration those intangibles which you thought were very important, and which I think are very important.

I mean, they are still important, even though you are Assistant Secretary of Defense.

Dr. SMITH. Yes, sir, they are important.

Senator JOHNSTON. They are worth some money in some intangible, unmeasurable sort of way. It is important to have a cadre of military doctors who have pride in their service and pride in their position as a military doctor, and who can be recognized as such, and who can be—what do you call them—global doctors? A global military physician. I can say that is important, and it is worth some money, don't you think?

Dr. SMITH. I indicated that I thought those benefits, in my judgment, were important, but the perception of the people who have to make the decisions can be different on intangibles as they are in this case.

#### TUITION INCREASES

Senator JOHNSTON. Now, one more point here, Doctor. Your figure of there being a difference between the scholarship and the University depends in part upon tuition being held down at its current unrealistically low level. In other words, tuition for students out there—I think at Georgetown it is now \$8,000 a year, but at the average medical school it is down pretty much. Your difference in cost here depends on that continuing, doesn't it?

Dr. SMITH. That is one factor, sir.

Senator JOHNSTON. And if it goes up across the country, as I confidently expect it to do, and you catch up with Georgetown across the country, then you are going to put these two figures very much closer together, aren't you?

Dr. SMITH. If there is an increase in costs then the scholarship costs are going to go up, but they will go up at the university as well, because the same inflationary and cost factors which affect civilian schools affect the university, too.

Senator JOHNSTON. Well, not necessarily, because the State, Louisiana in my case, might decide to begin to recoup more of its State dollar from the students who benefit from it—totally outside of the question of inflation, isn't that correct?

Dr. SMITH. I don't believe I am qualified to answer that question—it sounds reasonable, sir.

Senator JOHNSTON. But that is what Georgetown did, didn't it? In other words, the cost of medical school, a medical education at Georgetown is not \$8,000 as opposed to \$3,000 somewhere else. Georgetown just said we need the money to run the university.

Dr. SMITH. Yes, sir. You have to have an income from whatever source is available. Private schools have more difficulty than the State schools which get support from taxes.

Senator JOHNSTON. Thank you, Dr. Smith.

Chairman McCLELLAN. Senator Stennis?

## EXPIRATION OF LAW TO INDUCE DOCTORS

Senator STENNIS. Mr. Chairman, as I understand, these figures are pretty well covered. But on the law, though, that was passed in 1974 to induce more doctors to come into the service, I believe that expires this year, correct?

Dr. SMITH. Yes, sir, but we will have a proposal for its extension.

Senator STENNIS. That was my question, I believe you had requested a removal of that, the administration, correct?

Dr. SMITH. Yes, sir, we will.

Senator STENNIS. So that question is not involved in any way here on this medical school.

Dr. SMITH. It is involved in that it has improved our retention rate substantially.

Senator STENNIS. I mean the question of whether or not it will be removed. I don't know of any objection to it, do you, the renewal of this law passed in 1974?

Dr. SMITH. No, sir.

Senator STENNIS. There might be some modified rates or something of that kind as to the inducements, but I think that is pretty well settled.

It did have tremendous impact, gentlemen, in the recruiting of doctors and keeping those that were already in, but it was for a limited time only. And it expires this calendar year, so I don't think that would be any trouble.

You have used the words "primary care" here.

Dr. SMITH. Yes, sir.

Senator STENNIS. In the statement that Senator Johnston read.

What does that, mean, exactly, as used there, primary care?

Dr. SMITH. Primary care means that physician which the patient initially sees, such as an internist, or one engaged in family practice. The ob-gyn people have also been included in that category.

Senator STENNIS. All right.

Well, do you have any other point in mind that you want to bring up yourself?

## PHYSICIAN SHORTFALL

Dr. SMITH. Well, with regard to our physician accessions and our retention, the projections that we have show that our shortfalls in physician accessions in fiscal year 1977 will be about 746, but that is the highest we are going to have. Next year it will be 659, then 473, then 344. In fiscal year 1982, we have no projected shortfall. The first student won't come out of the university until 1980. The first full class won't come out until 1984, so that by the time they graduate, our projections show that we will have sufficient physician accessions from the various sources to accomplish the mission, and again I say it is the Secretary's judgment that this is the most economical way to bring these physicians into the service.

Senator STENNIS. Well, how can you assume that, Dr. Smith? When the condition developed in 1973, I think, was when this special law was requested. How can you assume other conditions won't arise for which you need added inducements?

Dr. SMITH. I can't assume everything, sir, but based on the best judgments we can make, these are our projections at the present time.

#### VARIABLE INCENTIVE PAY

Senator STENNIS. Well, at that time, I think, if we hadn't passed this additional law, you would have had a general exodus from the services by the medical men. That is what the testimony shows.

Dr. SMITH. You mean the variable incentive pay?

Senator STENNIS. Yes.

Dr. SMITH. I believe that would be true today. I also visited Luke Air Force Base, Senator Young, and talked to the doctors out there, and they gave me that same impression on the variable incentive pay.

Senator YOUNG. And the cost of malpractice insurance?

Dr. SMITH. I think that is still a factor, sir, but I believe that it is not the factor that it was 2 or 3 years ago.

Senator YOUNG. I talked to a doctor at a clinic that pays as much as \$35,000 a year for malpractice insurance. It must be quite a factor with a young doctor.

#### POSSIBLE ENLARGEMENT OF USUHS

Senator STENNIS. How practical would it be to double the output of this medical school? These doctors are needed out by the people at large. Why couldn't you double it? I will put it that way, why couldn't you double the output of this school? What practical reasons are there, assuming you are going to continue it, why not enlarge it so as to make a better contribution?

Dr. SMITH. Well, the general answer is you would need more faculty, more space, which means a higher cost. If the costs are already higher, they are going to be increased if you double it. I don't think that quantity necessarily makes it more efficient. I am not qualified—

Senator JOHNSTON. Would the Senator yield?

Senator STENNIS. Well, I won't yield on this.

If we are going to make a real contribution now to medical medicine, then by leaving more regular graduate doctors to administer to the people at large, why not just make this medical school double its size and put out that many more that will contribute to this military need?

Dr. SMITH. Senator, I believe you can find a consensus that says that by the early 1980's, we will have a surplus of physicians in the United States. We already have now about 110 or 115 medical schools.

Senator STENNIS. Well, we know there are great areas of the country that are not served adequately at all by doctors. They are just not there. They locate elsewhere, and any calculation to the contrary is just inaccurate as to a lot of areas of the country.

So I was disappointed originally at this school not being larger, or a larger output at least, for more doctors for the civilians.

This is all I had.

Chairman McCLELLAN. What would be the output of doctors annually from the school?

Dr. SMITH. Well, the first class has 32 students in it.

Chairman McCLELLAN. That is if you were to proceed with the project?

Dr. SMITH. About 175.

Chairman McCLELLAN. About 175.

Dr. SMITH. Yes, sir.

Chairman McCLELLAN. May I say to my colleagues that we have Senator Ford with us this morning. Senator Ford is not a member of either subcommittee, of course, but as I understand it, he is interested in this subject and would like to ask some questions.

Without objection, Senator, we are glad to welcome you and have you ask some questions if you would like.

#### ESTIMATED SAVINGS

Senator FORD. Thank you very much, Mr. Chairman.

As you know, I have been vitally interested in the construction of this hospital, and it is obvious by the record I am not for it, Doctor, and I agree with the DOD's position as to the deletion of this project.

Doctor, you stated earlier that the additional cost over and above the scholarship program annually would be about \$30 million per year.

Does that start in 1980?

Dr. SMITH. Yes, sir. That is the ongoing cost beyond 1980.

Senator FORD. That is in excess of the scholarship program?

What is the \$30 million?

Dr. SMITH. That is the operational cost of the medical school beyond the year 1980 if it were to be continued. That would be the savings.

Senator FORD. We would save then \$30 million per year 1980 on.

Dr. SMITH. Yes, sir.

Senator FORD. If we did not open the medical school.

Dr. SMITH. Yes, sir.

Senator FORD. And in 2 years you would save more than the cost of construction, or close to the cost of construction if it was terminated now.

I believe you have plus whatever the shell might be redesigned to for occupancy.

Is that correct?

Mr. FLIAKAS. That is correct, Senator. We estimate the completion of the shell would come to about \$63.7 million. Then there would be other costs to redesign and adapt it to other use. Plus, of course, there would be the cost avoidance with respect to the occupant that we would put in there, either the avoidance of a future military construction project for that occupant, or if commercial leased space were vacated and we could save from that.

Senator FORD. In other words, we could save a considerable amount of money if it was terminated.

Mr. FLIAKAS. Yes, sir.

#### FOREIGN MEDICAL GRADUATES

Senator FORD. Doctor, are you aware that—I believe Congress initiated legislation and it was passed last year that no more foreign educated doctors can come into this country, I believe, on a visa. I am

not sure of the exact language, but I think we terminated foreign educated doctors. They cannot be exempt. We don't want to bring any more in because—do you know the reasoning for that?

Dr. SMITH. I don't know specifically, Senator, but I have been involved in the foreign medical graduate problem before, and I believe that one of the things that we have seen is that we are taking vitally needed resources away from countries that need physicians much more than we do. I think we have also had the problem of not being able to license these people. I think when we have trained them, they should go home and serve in their own countries.

Senator FORD. Well, some of them have already completed their education and are trying to come and be permanent residents for this country.

Dr. SMITH. Yes, sir.

Senator FORD. And I thought that when we passed that legislation, that it indicated that we were getting to the saturation point where we were having a supply of doctors that would be sufficient. I think you indicated that within a few years, that the military would have a zero base, that they would have sufficient medical people in the military.

Did I understand you?

Dr. SMITH. Yes, sir.

Senator FORD. So it would be, I think, adequate to say that we have encouraged our own private and public medical schools to accelerate their training program, and in fact, I think the 1972 or 1973 enrollments increased by about 30 to 35 percent, and the graduates have increased now about 45 percent. Is that correct?

Dr. SMITH. Yes, sir.

#### SPECIAL TRAINING

Senator FORD. Is there any special training that these people would receive in a uniformed medical center school?

Dr. SMITH. Yes, sir. I am sure they would receive special training in tropical disease and aerospace medicine and deep sea diving physiology. I think there are courses in trauma due to projectiles, casualties. I believe these are the areas of special training, but these are already taught in service schools so we are not going to lose that.

Senator FORD. Well, that is what I was going to say. Don't we train our physicians—I read somewhere that the trauma centers, Houston for instance is one, where they have more shotgun wounds in certain areas than we had in the Vietnam war, is that correct?

Dr. SMITH. I don't know about that, sir, but we train our physicians to be military physicians.

Senator FORD. So it doesn't make any difference whether you have a shotgun wound on the battlefield or in the urban area, they both have to be treated, don't they?

Dr. SMITH. Yes, sir.

Senator FORD. And they have to be treated the same; maybe the conditions under which they have to be treated may be a little different, but the experience and training behind that has to be the same.

What is the primary duty now of a military physician or a GP? What does he normally do every day?

Dr. SMITH. Well, the configuration of the medical departments in peacetime are such that we are taking care of the Active Duty Forces, their dependents and the other authorized beneficiaries in a configuration which is very much like civilian medicine. At the same time, these units are the basis for whatever expansion we would need in terms of an international crisis or if we were to have a war. The military forces we have are the basis on which we would expand for a contingency.

Senator FORD. What I am driving at, Doctor, it wouldn't make any difference if we went ahead and had a war, you would have to call in physicians. You wouldn't have a sufficient number regardless.

Dr. SMITH. Yes, sir.

Senator FORD. Have you ever known of the Federal Government to operate anything cheaper than private or civilian operations?

Dr. SMITH. No, sir, I haven't.

Senator FORD. Thank you.

That's all the questions I have, Mr. Chairman.

Thank you.

Chairman McCLELLAN. Thank you.

The Chair will announce that before calling other witnesses or further interrogating Dr. Smith and his staff, we will interrupt the scheduled program to hear Congressman Claude Pepper.

Congressman Pepper, we welcome you today. I don't know which side you are on, but we are glad to have your testimony.

#### CONGRESSIONAL WITNESS

#### STATEMENT OF HON. CLAUDE PEPPER, U.S. REPRESENTATIVE FROM FLORIDA

##### SUPPORT FOR CONTINUATION OF UNIVERSITY

Representative PEPPER. Thank you very much, Mr. Chairman and members of the committee.

I am here today as chairman of the Aging Committee of the House of Representatives, and as a Member of the House very much for a long time, as you all are now, concerned about the health of the people of this country and there being enough doctors available to attend the health needs of the people of this country, to ask that you continue the operation of this University.

Mr. Chairman, I appreciate the fact that this proposal to eliminate the University is put forward under the guise of fiscal responsibility. We all favor that, but I believe a strong case—in fact, I believe a stronger case—can be made to keep this University open.

##### COSTS OF SCHOOL CLOSING

We are told there will be savings in construction costs of perhaps as much as \$100 million. But estimates of completing the buildings now stand at \$72.6 million, \$13.2 million under what Congress has appropriated. This may be one of the few cost underruns experienced by the Defense Department in recent memory. Moreover, it is estimated that closing the school could cost between \$40 million and \$60 million.

We hear that the cost of graduating a medical student from the Uniformed Services University is much greater than through the Defense Department scholarship program, and as you know, the General Accounting Office did a comparison of these costs based on years of expected service in the military, and found that the cost to the Defense Department is somewhat lower through the scholarship program. But what does not receive as much attention is the fact that other Federal programs, primarily through the Department of Health, Education, and Welfare, pick up the rest of the tab for these scholarship students, so there is really not a saving to the Federal Treasury.

Moreover, it has been demonstrated that the total cost for graduating a civilian medical school student is somewhat higher than for a student at the military medical school.

As my colleagues are aware, the administration indicates we will save \$14 million in operating costs in fiscal year 1978, and as much as \$28 million a year by fiscal year 1982. Yet the GAO, in its report last May, indicated that some 379 scholarship graduates each year would be needed to replace 175 graduates yearly of the University because of the difference in the length of time each is required to serve. The additional Defense Department scholarships needed would cost some \$12 million annually. And it is possible that it would cost as much as \$27.6 million with the additional Federal assistance that could be requested by civilian schools.

Moreover, we are all aware that tuition at civilian medical schools is rising rapidly. The cost of these Defense Department scholarships will no doubt continue to rise.

The administration believes it can make up its physician shortage through recruitment, with the use of scholarships, Variable Incentive Pay, and other steps. But we have seen that the Department has not yet met its physician needs through recruitment. Moreover, we know that a substantial number of these recruits are graduates of foreign medical schools.

We have heard discussions about greatly reducing the number of foreign medical graduates who are allowed to practice medicine in this country. Should this happen, it stands to reason that DOD would have an even more difficult time recruiting physicians, and our civilian medical schools would be hard put to produce enough physicians to serve both the civilian and military populations.

#### QUALITY OF MEDICAL PERSONNEL IN MILITARY HOSPITALS

Mr. Chairman, let me interpolate in my prepared statement that I don't believe it is as appropriate for us to have students who are either Americans who have been trained abroad or foreigners, and it seems to contemplate, in talking about recruiting among foreign students, that some of them might be of foreign nationality. I don't know whether that is contemplated or not, but I have been—I have had the misfortune a few times, and the good fortune, because of the quality of service they render, to be out at Walter Reed Army Hospital, and I have seen not only the quality of men and women who are there, but their dedication to the armed services, its reputation, its prestige in doing its duty properly.

I have seen the dedication to the public interest that those personnel exhibit, and I just don't believe you will get that quality, that mental and spiritual attitude, that feeling of obligation to the service and to the country, from students trained in foreign schools as you would get from students trained in a very fine institution like this, which is like our service academies. They are all proud of being from West Point or Annapolis or one of the other service schools. And these men and women who came through the hospital, the University medical school or the University, would feel that same loyalty to the service and to the country that I believe you don't find in many of those who would otherwise be recruits.

#### OTHER FACTORS FOR CONSIDERATION

We could argue the question of cost savings for the rest of the week. Everybody has his own set of figures. The fact is, it is difficult to assess what the cost factors will be with any certainty, but there are other aspects that I think should be taken into account.

If we close down this University, we will have displaced 32 first-year medical students who have planned their careers around the University. They will, no doubt, have difficulty being accepted at civilian medical schools as second-year students. As I understand it, they have got 400 students chosen from 2,500 applicant to be the ones that they are going to select from to make up the class entering this University in August 1977. The staff and faculty of the University, many of whom gave up tenured positions elsewhere, will have their lives disrupted. The costs of settling the obligations can be expected to be substantial.

The school is now operating. We have debated it here for years and Congress finally resolved to set up this University. So the school is operating. The curriculum has been established. The buildings will be finished soon. The students and faculty have made plans for their future. Why disrupt them now, why after the Congress has acted, change our minds now? It would be a sad state of affairs for Congress, it seems to me, to take an about-face at this late date.

This University was created to produce a core of career-minded physicians—doctors trained in the tradition of the services, who understand the special needs of military personnel and their families, and who are trained to deal with wartime situations.

#### NEED FOR UNIVERSITY

Finally, and this is an area of great concern not only to me but to every one of us—I believe this University is needed as much by civilians as the military. If we close down the school, there will be that much more pressure on the civilian medical schools. I am sure that every one of us in the Congress on both sides of the Capitol are constantly besieged and applied to by parents or by students wanting to get into medical school, and most of the time we are not able to do anything very much about it because the medical schools are all crowded. They have thousands of applicants for a relatively few positions.

Now, if the medical schools serving the civilian needs of this country are expected to provide the physicians for the armed services, which amount to, I believe, 2,000 or 3,000 a year, that obviously means they are going to have fewer spaces in these limited medical schools in which to train the physicians for the civilian population.

I for one don't believe we have enough doctors now for the civilian population, and these 32 students, at the second year they will have to be distributed around. It will be difficult to put them there. They will obviously be taking slots or places that should be available to somebody else.

So if nothing else, I would urge upon this honorable, distinguished committee, that you take into account the fact of the deprivation of places in the medical schools training physicians for the civilian population by requiring them now to train personnel for the military as well as for the civilian population.

For almost 30 years, many of us have fought in the Congress for Federal aid to medical education. The distinguished chairman here will remember that in 1949 we passed a bill in the Senate—and I was on the Education and Labor Committee, and I sort of took the lead among the Democrats, with one of our distinguished colleagues, Senator Taft, who was a trustee of Yale University and was convinced by his experience as a trustee that we had to provide Federal aid for medical education, that even a relatively well-to-do institution like Yale really couldn't afford the cost of a medical school—and we passed it in the Senate and it went over to the House. Unfortunately it was killed, and it wasn't until 1963 that we finally got Federal aid for education.

I consider this university as a form of Federal aid to medical education because we are taking the burden off of the civilian medical schools for training the medical personnel for the armed services, and it seems to me that that is a legitimate extension of that principle.

So if we ask the civilian schools to give us their physicians for the military, and if, as I mentioned, foreign medical graduates are prevented from practicing here, or we do not elect to have them in lieu of our own people where they are locally trained, we will run the risk of having too few doctors to serve the rest of our population.

So as chairman of the Select Committee on Aging, I respectfully urge this distinguished committee to allow this school, which we have set up after long deliberation and consideration, that is now under way, to go ahead. If the cost is even a little greater, aren't there other considerations that outweigh the detriments or the little extra expense that would justify the armed services having their own medical college as they have their own training schools for their personnel in our respective academies?

So thank you very much, Mr. Chairman.

Chairman McCLELLAN. Thank you, Congressman.

Any questions, Senator Young?

Senator YOUNG. You are just as persuasive as you were when I came to the Senate.

Representative PEPPER. Maybe I catch the contagion of my colleagues here.

Chairman McCLELLAN. Senator Johnston?

## SHORTAGE OF CIVILIAN PERSONNEL

Senator JOHNSTON. Mr. Chairman, I want to congratulate Congressman Pepper on a very excellent statement and his great leadership in this area of Federal aid to medical education. I know the AMA says we have enough doctors now and that we are going to have a surfeit of doctors in another 2 or 3 years. That may be all right from the standpoint of the physicians, but from the standpoint of somebody who is trying to get medical care, I am telling you, trying to get a doctor around here is like trying to join a country club. You have got to have recommendations. You have a waiting list and all of that. And to try to get a doctor to go out to Mansfield, La., would take you—well, you have got to offer him incredible amounts of money, over \$50,000 a year, and his own clinic and membership in the country club and all these perks.

And still you don't get him. We don't have enough doctors now and we are not going to have enough doctors 3 years from now. I don't care what the AMA says. I mean, I have been out there and seen too many people who cannot get care. I was down in Florida not long ago when a child got sick. They called the doctor. Well, first of all, I had to have a recommendation, and when I finally got in there, they said a call here at the office is \$20 and you have got to bring the \$20 with you. Now, I remember the day when we used to be able to get doctors to come around to the house. Maybe those good old days will never come again, but the point is, I share very much your feelings. We just don't have enough doctors, and if we don't build the school, we just take slots out of the civilian medical schools.

Chairman McCLELLAN. Senator Huddleston?

## FOREIGN-TRAINED MEDICAL PERSONNEL

Senator HUDDLESTON. Thank you, Mr. Chairman, I didn't get to hear all of Congressman Pepper's presentation, but what I did hear was quite impressive. I might say Will Rogers used to say that things ain't what they used to be and probably never was. Times do change.

But talking about the need for doctors in this country. I find, there is, if not a severe shortage in numbers, certainly a maldistribution.

What would be the case if we did not have so many foreign trained doctors? I find that most of our public health facilities in many communities in this country would be totally without physicians—

Representative PEPPER. Right, exactly.

Senator HUDDLESTON. Were it not for the federally trained.

Representative PEPPER. Senator, if I am not mistaken, I think I have seen a figure that a majority of our doctors now are foreign trained.

Senator HUDDLESTON. A majority in the public health services are foreign trained doctors.

Do you think this is a good continuing policy for the United States to have to rely on foreign trained doctors?

Representative PEPPER. No; I certainly do not. I certainly do not.

In the first place, I don't say that all the medical schools in the world, but many of them are not equivalent to the standards that we have in this country. But I certainly on the other hand don't believe

that all of the foreign medical schools and the students are as good as the medical schools in our country, certainly as good as this medical school would be. I know some of the top doctors out at Walter Reed that are teachers, are faculty members of this University, men who are outstanding in their profession and many have told me how keenly they feel that this University should go on.

Chairman McCLELLAN. The military doctors are going to take a lot of pride in this, don't you believe?

Representative PEPPER. They certainly do, they certainly do. They feel this is theirs, it belongs to the services, and they are proud of it.

#### CITIZENSHIP STATUS OF FOREIGN-TRAINED DOCTORS

Senator HUDDLESTON. Is it true that many of these foreign-trained doctors are still not even citizens of the United States?

Representative PEPPER. I beg your pardon?

Senator HUDDLESTON. Are many of these foreign-trained medical people still not citizens of the United States?

Representative PEPPER. I would think so. I know down home we have been allowing a good many of the Cuban-trained doctors to become doctors here in this country, sometimes requiring them to take the State board of medical examiners, and other times allowing them to operate in hospitals under the supervision of American doctors. But we would be very much put out if we didn't use these foreign-trained doctors due to the limited medical schools that we have.

Senator HUDDLESTON. But the information I have is that as many as 70 percent of these foreign-trained doctors—

Representative PEPPER. I have heard the figure 68 percent.

Senator HUDDLESTON [continuing]. Are not American citizens.

Representative PEPPER. Right.

Senator HUDDLESTON. It seems to me it is somewhat incongruous that here in our Nation with the great scientific ability that we have and our resources, would have to depend to that extent on foreign-trained medical personnel.

Representative PEPPER. Of all places, in our service institutions.

Senator HUDDLESTON. True.

Representative PEPPER. You never know what significance a man's attitude may have in the performance of his duties.

Senator HUDDLESTON. That is all I have, Mr. Chairman.

Chairman McCLELLAN. Senator Bellmon?

Senator BELLMON. Thank you, Mr. Chairman.

#### ADMINISTRATION'S RATIONALE FOR CLOSING SCHOOL

Congressman, I wasn't here for Dr. Smith's testimony, but I understand the administration's primary reason for wanting to close this school is for saving money, and even that now has been challenged. Is there any other reason why the administration wants to close down the school?

Representative PEPPER. My understanding is that it is based entirely on the fiscal aspects of it, and their assumption that they can recruit from the civilian medical schools the personnel that they need, but

that presupposes that some of them would have to be foreign trained. I think I am correct in that.

Senator BELLMON. In Oklahoma we have a good many Indian hospitals. The Indian Health Service had a very difficult time getting staff for those hospitals. I was recently in one of them where the only doctors present were Filipinos, and the Indians who came there couldn't even communicate with the doctors, and it was a totally unsatisfactory arrangement. This school would provide trained people for the public health services in addition to the military.

Unless there is some other reason than this very questionable matter of saving money, I don't believe the committee should—

Representative PEPPER. Senator, I believe there are differences in the interpretation of the figures. There are some people who feel very strongly about it, using a good bit of GAO data and saying that it is very questionable whether any substantial amount would be saved, if we closed this medical school, taking into account all the incidents of the closing; there are other considerations I think overwhelmingly justify continuity.

Senator BELLMON. I have no further questions, Mr. Chairman.

Chairman McCLELLAN. Senator Proxmire?

Senator PROXMIRE. Congressman Pepper, I am delighted to see you. I have had great admiration for you for many, many years, including when you were in the U.S. Senate, I used to come and sit in the gallery and watch you.

Representative PEPPER. Thank you very much.

Senator PROXMIRE. You were marvelous to watch, tremendously eloquent, and you take on—I was just telling Senator Huddleston how you would take on Senator Taft, and you were the one man that seemed to be able to knock him down repeatedly. And so it was good to have you refer to a point where you and Senator Taft agreed. I am not sure that Senator Taft would agree with you on this one, though.

And this is something that has not only the support of somebody as eloquent and highly respected as you, but other wonderful people like Mr. Packard, who has done so much for this country, like Dr. Curreri from my own State of Wisconsin, who is a fine man. At the same time, I am very, very skeptical about it. I fought it and opposed it on the floor because I do think it is unsound. All of us agree we need more doctors, no question about that, but how do you get them in the most efficient way for the lowest cost, and every objective study that has been made of this said no to it. The General Accounting Office, the Defense Manpower Commission, Secretary Richardson, whom I think all of us would agree is a very able and honest and thoughtful man, recommended against it. And I recognize the AMA has an axe to grind. They fence me in as any trade association does, although my father was a doctor and my daughter is a doctor, still they do have that particular interest.

I understand last year the Ford administration in the first go around recommended against this. They did change in a reclama. The Carter administration has now recommended against it. So it seems to me that there is a strong case, that you can come in with something like this and get all kinds of support. I remember Tom Scott, who was such

a great staff director of this committee for many, many years, told me when I asked him. I said, "How many people come in opposed to spending?" And he said, "Well he guesses it is about 1,000 to 1." About 1,000 want to spend money to every 1 that is opposed to it in testimony before this committee.

So this is the problem. We can't get the people to come in to oppose legislation of this kind. You can make a case for it, it has been made brilliantly by you and by others, but I do question whether this is the most economical way to get the doctors we need, and I think we have a responsibility to do that. We are saying no to President Carter now on public works. I am not but the Congress seems to be. No to President Carter on his position of trying to save money in this area. And I just wonder how responsible this Congress is going to be, every time the President comes up with a proposal to save money, you say no, not this way. Let's find another way.

#### CRITERIA TO BE CONSIDERED

Representative PEPPER. Well, I want to thank the distinguished Senator, and I will certainly reciprocate his very kind remarks because of his activity and the courage with which he has championed many, many worthy causes that mean much to our country. But I tell you, Senator, my evaluation is this. I know there are a lot of people who think that the money element should be the criterion of our decision. I think you have to evaluate the value of the money in respect to a comparison to the value of the other things that are involved in the equation, the other factors that are involved in the equation. I remember very much some of my distinguished colleagues who—you know, Senator McClellan will recall it, I remember some of our colleagues died with cancer who voted against the Cancer Institute when we had it up because they didn't think the Government could afford it.

Well, I realize we have many demands upon us for money, but I think you have to evaluate all of the factors in the equation, and when you take into account the morale factor and the armed services having the opportunity to train their own medical personnel, when you take into account the fact that there would be an assured source of the required number, they may need to step up their requirements from time to time. To do that under the present circumstances I think would impose a burden that is not in the public interest upon the civilian medical schools of the country. The fact that the services will have control of this university, the fact that they will all be trained in an American service-oriented university rather than in foreign universities, because I believe they have to assume in their assumption that they can get the required number of students by recruitment, that some of them will be foreign-trained students. I don't believe foreign-trained students are as well qualified to be doctors in the armed services as students that were trained in the service university.

And the amount that we're discussing, Senator, is not very large. It is a few million dollars a year, and we have got so many factors that are imponderable factors that you cannot attach a peculiar physical and financial relationship to, I believe we are justified in letting this institution, which we have established after years of consideration here in the Congress, go ahead.

## COSTS OF PROGRAM

Senator PROXMIRE. Well, I will just say it. I won't prolong this, Congressman Pepper. I will just point out that it is going to cost, I understand, \$63.7 million to complete this. The operating costs are going to be great. All the studies we have seen have indicated that it would cost two or three times, maybe more, as much—two or three times as much to train a doctor this way as the other. And I think there are arguments on the other side. I think when you have a doctor who is trained in a civilian school, he is more likely to be exposed to a broader variety of experiences, broader views than somebody who is trained in the military.

I have great admiration for military schools. I spoke at Annapolis just a month ago. I was tremendously impressed. It is a marvelous institution, and I think it is great for training military officers. But for training doctors who should be exposed to all different kinds of views, I think that a civilian medical school is likely to be superior in many important points.

## ABILITY OF MEDICAL PERSONNEL IN MILITARY HOSPITALS

Representative PEPPER. Senator, may I just mention two other points. One is the availability of experienced, outstanding medical personnel like Walter Reed and the naval hospital and the like. I assume that they are doing the extra work there without extra pay. I don't know whether they are or not, but at least they are available. That means you have got competent, experienced faculty members available all of the time to this University.

The second thing is, you have a large clinical area available to these schools. Walter Reed, there is a very large institution in Bethesda—the Naval Hospital in Bethesda—there is a very large number of cases where the students would have access to clinical experience. That would be valuable. It would seem to me wider access than they would have in the ordinary State or private medical school. I think that is a factor that would be worthy of consideration.

Senator PROXMIRE. Thank you very much, Mr. Chairman.

Chairman McCLELLAN. Senator Ford, would you like to ask a question?

Senator FORD. I would.

Congressman, I am a stranger here. They have allowed me to come because I have such a keen interest in this particular project, and I was very interested to hear you say how friendly, how dedicated and how competent the people at Walter Reed were. You have had the occasion to use their services, and you said fortunate that it was there, and I would just suggest to you, Congressman, that these people are coming from our civilian sector now into Walter Reed, and coming through our present process, and I am sure you are aware that Congress enacted a law last year stating that no more foreign educated doctors can even get short-term visas to come into this country, and I am a little concerned that this colloquy has come down to an argument between foreign doctors and American doctors, and I hope we won't get into that.

I would like to call your attention to page 2 of your statement, if I could just a moment.

Representative PEPPER. Yes, sir.

Senator FORD. You say in there, as reported last May, it indicated that some 379 scholarship graduates each year would be needed to replace 175 graduates. I believe that is an error, Congressman. I believe that the GAO report said that if you spend the same amount of money that you would spend on this 175, that you would get 379 graduates in lieu of 175, and that you would get 206 more doctors for this country by spending the same amount of money.

And you were saying about the need of new and more physicians and additional doctors, and I believe if you look at those figures you would find that you have more physicians under this expenditure of money than you would in the private sector, than you would in the military.

Representative PEPPER. Senator, I have said that I am advised that the disparity of which you speak is due to the difference in the required length of service that is involved, but it is inevitable, it seems to me, I will say to the distinguished Senator, that if you are not going to train these doctors for the armed services in their own University, you have got to burden our civilian medical schools with that amount of personnel.

Now, I am not saying we are not doing it already, but as the distinguished Senator from Louisiana says here, I think we are not affording the doctors to the civilian public that they really need, if their health needs are adequately to be met.

I think it is something over 2,000 doctors a year that the armed services need. Now, if you have got to take those out of the medical schools where civilian doctors are being trained, why obviously that means that the facilities of those schools are diminished that much in the service of the civilian population.

So I was just thinking that if we could set aside an institution that would be available to train what medical personnel the armed services require in the way that they want them trained, that they think would be best for the armed services, assuring that we get the kind of people that they thought were best qualified to be in the medical personnel of the armed services, and take that load off of the civilian institution, that that would be in the public interest as well as in the interest of the armed services.

Senator FORD. Congressman, my father told me at an early age never to get into an argument with a crying woman or a school board race, but he forgot to warn me about you.

Representative PEPPER. Well, Senator, you and I have known each other for a long, long time, and I really respect you.

Senator FORD. Congressman, we have as a Congress encouraged medical schools to increase their output, and we have, or we do spend a lot of money in the medical field that goes to our private and public institutions, and they have responded to that request with a 34-percent increase in students, and about a 45-percent increase in graduating number.

Dr. Smith testified earlier that the medical requirements of the armed services probably would be at a zero based need I think about 1982.

Dr. SMITH. Yes, sir.

Senator FORD. About 1982, and that is based on the increased pressure that has been absorbed by private institutions, and it seems like this is a typical Government operation; once we place the emphasis on our public institutions, we try to usurp what they have done, and we get in their business. And I am just trying to see that we get more doctors for the dollars that we spend, and I would hope at this rate, if we save \$30 million a year, then we more than pay for the buildings that are out there now in 2 years, or 3 at the outside.

The intangibles that are being factored in here are the only things I think to be considered.

Representative PEPPER. Senator, if we assume that we are not going to take any foreign trained doctors into the hospitals of the armed services, I think they are going to have considerable difficulty getting the required recruitment from the graduates of the civilian institutions.

Senator FORD. Thank you, Mr. Chairman.

Chairman McCLELLAN. Any other questions of Congressman Pepper?

Representative PEPPER. Thank you very much, Mr. Chairman. I appreciate it.

Chairman McCLELLAN. Are there any more questions of Dr. Smith?

Did you have any further statement, Dr. Smith, that you wished to make?

#### FOREIGN MEDICAL GRADUATES

Dr. SMITH. Well, Mr. Chairman, I think I should comment about the foreign medical graduates. The statistics show at the present time that approximately 6 percent of the doctors in the Armed Forces are foreign medical graduates. Recruiting statistics for fiscal 1976 show the Army took 2 percent foreign medical graduates of people that they brought into the service, the Navy, 8 percent; the Air Force took in 14 percent, and overall in the Defense Department 8 percent of the physicians brought into the services were foreign medical graduates. I will just put that in the record.

Chairman McCLELLAN. Very well.

#### ADMINISTRATION'S JUSTIFICATION FOR CLOSING OF SCHOOL

Also, I would like to suggest one thing. I would like for you to place in the record a concise statement concerning the economics of closing this school, from the viewpoint of the Defense Department and the administration.

Dr. SMITH. Yes, sir.

Chairman McCLELLAN. The statement should justify the closing of the school from every standpoint that should be considered, economic and otherwise.

Dr. SMITH. Yes, sir, we will put that in the record.

Chairman McCLELLAN. I would like to have that. That becomes a crucial issue as far as I am concerned.

[The information follows:]

The Economics of Closing the USUNS

Controversy over the Department's decision to close the USUNS, involves primarily three issues: (1) economics, (2) national supply of physicians in the 1980's, and (3) retention rates for military doctors. The Department's position on these issues is the following:

(1) The cost per expected staff year of service is less for graduates of the scholarship programs than it is for graduates of the University. All of the cost studies to date support this position except the GAO letter of June 15, 1976 to Mr. Price which provided a comparison including all Federal contributions to civilian medical schools (capitation, construction and research grants). In the June 15 report, the GAO concluded that it was inappropriate to add these costs to the Scholarship Program when determining the cost effectiveness of the University. GAO provided the comparison at the request of Mr. Price. Federal subsidies are made available to civilian medical schools for reasons totally unrelated to the Scholarship Program and are likely to continue regardless of whether or not the DoD medical school continues. The Department is in full agreement with the GAO position. In terms of the Defense Program Budget, termination of the University at this point in time will result in the following reductions in operating costs: FY 78 -- \$14.1 million; FY 79 -- \$19.6 million; FY 80 -- \$26.5 million; FY 81 -- \$25.4 million and FY 82 -- \$27.0 million; (total savings to the Government of \$112.6 million). Since the program already includes funding for the Scholarship Program, these amounts are direct budget savings with no offsets. No expansion of the Scholarship Program will be required. The amount of savings in construction costs, if any, will depend on final disposition of the buildings. The value received from construction costs already incurred, or yet to be incurred, to partially complete or modify the buildings to satisfy another Government requirement will depend on the final disposition that is agreed upon by the Department and the Congress. The Department would not argue with the fact that tuition costs are increasing, and quite dramatically in many of the more expensive private medical schools; however, the current distribution of DoD scholarship students indicates that these large increases will not impact too greatly on Defense. The distribution is as follows:

| <u>Tuition Cost</u> | <u>% Distribution</u> |
|---------------------|-----------------------|
| \$ 0 - 2,000        | 38%                   |
| \$2,000 - 4,000     | 32%                   |
| \$4,000 - 6,000     | 22%                   |
| \$6,000 - 8,000     | 8%                    |
| over \$8,000        | 0                     |

(2) A revised preliminary report from the Manpower Analysis Branch, DHEW, projects the national supply of physicians to increase from 375,300 in 1975 to 517,200 in 1985, an increase of about 38 percent. The report also shows that the percentage of non-US trained physicians will decrease from 21 percent to 18 percent of the total supply. The Journal of the American Medical Association, December 27, 1976, page 2961, indicates that M.D. graduates from 114 medical schools will increase from 13,961 in 1977 to 15,512 in 1981, an increase of 11 percent in just four years. Graduates from Medical and Basic Science Schools increased 79 percent from 1966 to 1976. These estimates generally support the DHEW projection. The Department considers the AMA to be an authoritative source on physician resource projections.

(3) Retention rates in the military services are increasing although the Department cannot support this statement with specific data on Defense-wide retention. Poor retention rates in the past were attributed primarily to the Berry Plan, two-year physicians who were obligated to serve two years upon completion of medical school in lieu of being drafted. Scholarship Program graduates cannot be compared with Berry Planners. The Scholarship graduate is a volunteer who has chosen to serve in the Armed Forces in return for a scholarship, or perhaps because he is attracted to service, or a career, in the Armed Forces for other reasons. In addition, those who enter the program in their first year of medical school will be obligated to serve a minimum of five years (one year of graduate medical education and four years payback) and up to 10½ years (one year of graduate medical education, four years residency and 5½ years payback). Add the important element of Variable Incentive Pay and the result is a very convincing argument that physician retention rates will increase significantly over the next several years. Although we have had limited experience since Variable Incentive Pay was implemented, our most recent statistics show that 75.7 percent of unencumbered physicians in the 6-10 year group agree to continue in service for one year or more, i.e., 3 out of 4 voluntarily elect to remain on active duty. Assuming this favorable trend continues, the number of staff years of service which would be gained in the Scholarship Program would increase dramatically. Using higher retention rates in the GAO analysis of the Scholarship Program would increase the staff years of expected service and decrease the cost per staff year. Thus, the cost of the Scholarship Program would be cheaper than the University even if the controversial Federal subsidy were included. An argument could also be made that those individuals selected for attendance at the USUHS were military oriented and already predisposed to a career as a military doctor. In the absence of the University, they would enter the Armed Forces through the Scholarship Program and probably stay for 20-30 years.

In summary, the Department of Defense is convinced that physician requirements can be met in the 1980's more economically through a combination of the Armed Forces Health Professions Scholarship Program and direct recruiting. Notwithstanding the controversy over the Federal subsidy, the "bottom line" of the Federal budget will be \$20-30 million less during the period FY 79-82 if the decision to close the University is upheld by the Congress.

## QUESTIONS SUBMITTED BY CHAIRMAN McCLELLAN

Chairman McCLELLAN. Dr. Smith, I have some additional questions which, in the interest of time, you may answer for the record.  
[The questions and answers follow:]

## MEDICAL DOCTOR RECRUITMENT

Chairman McClellan. DoD continually talks about a physician shortage. Would you provide for the record your projections of physician requirements, gains and losses by type, for the past five and future ten years. Be sure to identify the number of physicians who would come from the University of Health Sciences if it remained open. Could you provide a similar analysis for recruiting and retention prospects of non-physician but allied medical personnel?

Dr. Smith. Tables 1 and 2 contain the requested information for medical officers. Tables 3, 4, and 5 contain the available equivalent data for dental, veterinary, and optometric officers.

TABLE 1  
DOD MEDICAL OFFICERS

| <u>Fiscal Year</u> | <u>Authorized Strength</u> | <u>Gains</u> | <u>Losses</u> |
|--------------------|----------------------------|--------------|---------------|
| 1973               | 13,200                     | 3,425        | 4,518         |
| 1974               | 12,238                     | 3,079        | 4,664         |
| 1975               | 11,729                     | 3,047        | 3,110         |
| 1976               | 11,570                     | 2,763        | 3,079         |
| 1977               | 11,929                     | 1,612        | 1,309         |
| 1977*              | 11,703                     | 2,392        | 2,617         |
| 1978*              | 11,687                     | 2,281        | 2,210         |
| 1979*              | 11,726                     | 1,985        | 1,760         |
| 1980*              | 11,726                     | 1,945        | 1,816         |
| 1981*              | 11,726                     | 1,913        | 1,798         |
| 1982*              | 11,726                     | 1,879        | 1,650         |
| 1983*              | 11,726                     | 1,881        | 1,881         |
| 1984*              | 11,726                     | 1,881        | 1,881         |
| 1985*              | 11,726                     | 1,881        | 1,881         |
| 1986*              | 11,726                     | 1,881        | 1,881         |
| 1987*              | 11,726                     | 1,881        | 1,881         |

\* Expected

TABLE 2  
DOD MEDICAL OFFICER GAINS BY SOURCE

| Source             | Fiscal Year |             |             |             |             |              |              |              |              |              |              |              |              |        |
|--------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------|
| <u>Program</u>     | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1977*</u> | <u>1978*</u> | <u>1979*</u> | <u>1980*</u> | <u>1981*</u> | <u>1982*</u> | <u>1983*</u> | <u>1984*</u> | And On |
| Draft              | 117         | 0           | 0           | 0           | 0           | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            |        |
| Berry Plan         | 2299        | 2082        | 1751        | 1406        | 819         | 395          | 123          | 25           | 6            | 0            | 0            | 0            | 0            |        |
| AFHPSP**           | 25          | 150         | 345         | 375         | 406         | 758          | 919          | 949          | 957          | 1037         | 1170         | 1187         | 1187         |        |
| Volunteers         | 205         | 132         | 454         | 658         | 351         | 1010         | 1056         | 875          | 875          | 789          | 643          | 653          | 653          |        |
| Other              | 779         | 715         | 497         | 324         | 36          | 229          | 183          | 136          | 107          | 87           | 66           | 41           | 41           |        |
|                    | <hr/>       | <hr/>       | <hr/>       | <hr/>       | <hr/>       | <hr/>        | <hr/>        | <hr/>        | <hr/>        | <hr/>        | <hr/>        | <hr/>        | <hr/>        |        |
| TOTAL              | 3425        | 3079        | 3047        | 2763        | 1612        | 2392         | 2281         | 1985         | 1945         | 1913         | 1879         | 1881         | 1881         |        |
| USUHS<br>Potential | -           | -           | -           | -           | -           | -            | -            | -            | 30           | 65           | 112          | 143          | 166          |        |

\*Expected

\*\*Armed Forces Health Professions Scholarship Program

Source: The Military Departments

TABLE 3  
DOD DENTAL OFFICERS

| <u>Fiscal<br/>Year</u> | <u>Authorized<br/>Strength</u> | <u>Gains</u> | <u>Losses</u> |
|------------------------|--------------------------------|--------------|---------------|
| 1973                   | 5,734                          | 1,488        | 1,571         |
| 1974                   | 5,237                          | 1,240        | 1,786         |
| 1975                   | 5,124                          | 999          | 1,041         |
| 1976                   | 5,001                          | 1,165        | 1,226         |
| 1977                   | 5,179                          | 613          | 515           |
| 1977*                  | 5,138                          | 950          | 1,001         |
| 1978*                  | 4,971                          | 783          | 963           |
| 1979*                  | 4,967                          | 736          | 740           |
| 1980*                  | 4,962                          | 876          | 883           |
| 1981*                  | 4,962                          | 861          | 870           |
| 1982*                  | 4,962                          | 870          | 870           |
| 1983*                  | 4,962                          | 870          | 870           |
| 1984*                  | 4,962                          | 870          | 870           |
| 1985*                  | 4,962                          | 870          | 870           |
| 1986*                  | 4,962                          | 870          | 870           |
| 1987*                  | 4,962                          | 870          | 870           |

\* Expected

TABLE 4  
DOD VETERINARY OFFICERS

| <u>Fiscal<br/>Year</u> | <u>Authorized<br/>Strength</u> | <u>Gains</u> | <u>Losses</u> |
|------------------------|--------------------------------|--------------|---------------|
| 1973                   | 861                            | 144          | 164           |
| 1974                   | 828                            | 98           | 155           |
| 1975                   | 765                            | 108          | 142           |
| 1976                   | 742                            | 105          | 125           |
| 1977                   | 742                            | 23           | 52            |
| 1977*                  | 738                            | 82           | 116           |
| 1978*                  | 739                            | 60           | 90            |
| 1979*                  | 738                            | 64           | 81            |
| 1980*                  | 738                            | 56           | 90            |
| 1981*                  | 738                            | 67           | 86            |
| 1982*                  | 738                            | 67           | 67            |
| 1983*                  | 738                            | 67           | 67            |
| 1984*                  | 738                            | 67           | 67            |
| 1985*                  | 738                            | 67           | 67            |
| 1986*                  | 738                            | 67           | 67            |
| 1987*                  | 738                            | 67           | 67            |

\* Expected

TABLE 5  
DOD OPTOMETRIC OFFICERS

| <u>Fiscal Year</u> | <u>Authorized Strength</u> | <u>Gains</u> | <u>Losses</u> |
|--------------------|----------------------------|--------------|---------------|
| 1973               | 618                        | 124          | 39            |
| 1974               | 598                        | 85           | 118           |
| 1975               | 580                        | 99           | 107           |
| 1976               | 554                        | 90           | 87            |
| 1977               | 527                        | 20           | 30            |
| 1977*              | 545                        | 99           | 95            |
| 1978*              | 550                        | 82           | 113           |
| 1979*              | 554                        | 73           | 81            |
| 1980*              | 556                        | 60           | 70            |
| 1981*              | 558                        | 47           | 55            |
| 1982*              | 558                        | 55           | 55            |
| 1983*              | 558                        | 55           | 55            |
| 1984*              | 558                        | 55           | 55            |
| 1985*              | 558                        | 55           | 55            |
| 1986*              | 558                        | 55           | 55            |
| 1987*              | 558                        | 55           | 55            |

\* Expected

Cost of Doctors

Chairman McClellan. What is the Department's position regarding the cost of doctors produced through the University and other sources, including the scholarship program under ROTC?

Doctor Smith. It is the Department's position that physicians can be procured more economically through the Armed Forces Health Professions Scholarship Program than they can be trained in the Uniformed Services University of the Health Sciences.

Chairman McClellan. Why has the Department's position changed on this matter of cost in such a short time?

Doctor Smith. The Department always recognized that the cost per staff year of expected service was less for the Scholarship Program, unless all Federal contributions to civilian medical schools were included in the cost. However, the Department was willing to accept the more expensive University program as a supplement to the Scholarship Program to satisfy projected physician shortages. A recent assessment of the issue, however, indicated that the national supply of physicians in the 1980's will be sufficient to meet the needs of the country and the Department. In addition, the Scholarship Program is attracting the necessary number of applicants to fill student authorizations, and retention rates are improving. These

findings, coupled with the need to realign priorities in the budgetary process, led to the decision to exclude the University from the FY 1978 budget.

#### DOCTOR SURPLUS

Chairman McClellan. There have been some recent articles in the newspapers to the effect that this country may face a doctor surplus within five to ten years. Could you comment on that possibility. Wouldn't that make recruiting for military requirements significantly easier?

Dr. Smith. The Journal of the American Medical Association in the issue of 29 December 1975 included information on this subject.

Their report included the following projections for graduates of medical schools: 1976, 13,505; 1977, 13,818; 1978, 14,452; 1979, 14,849 and 1980, 14,999.

These data indicate that there will continue to be an expansion in the number of United States trained physicians in this country. However I do not believe that we can say with any confidence that the increases in medical school graduates will result in a doctor surplus or that our recruiting of military doctors will be significantly easier. Under the new rules for government subsidized medical students there is greater emphasis on influencing their decisions regarding specialization and location of practice via required periods of service and limitations on the number of available residency positions. These forces acting together will significantly impact on our ability to recruit new military medical officers. I would say that overall the increase in graduates will have a favorable effect on our recruiting efforts and we are optimistic concerning our ability to increase the number of doctors recruited.

#### COMPETING PROGRAMS

Chairman McClellan. In a sense, given the large number of physician recruitment programs funded by the federal government, isn't DoD competing for a relatively limited market? Would you provide for the record a chart comparing the University, the Health Professions Scholarship program, and other federal medical recruitment programs and summarizing their major features.

Dr. Smith.

The Health Professions Educational Assistance Act of 1976 (P.L. 94-484) authorizes substantial increases in non-DoD federal physician assistance programs, as shown in Table 1. If fully funded, these five programs could provide some form of assistance to about three-fourths (40,000 to 50,000) of all medical and osteopathic students in this country during the next several fiscal years. DoD will have to compete with these federal programs and the programs offered by state and local governments and private organizations for those students who desire assistance. Table 2 displays the major features of the federal programs.

Table 1

P.L. 94-484 Student Assistance Authorizations  
For All Health Professions (\$Millions)

| Program                                                                                           | FY 77 | FY 78  | FY 79  | FY 80  |
|---------------------------------------------------------------------------------------------------|-------|--------|--------|--------|
| 1. National Health Service Corps Scholarships (81% of funds for med/osteo students)               | 40.0  | 75.0 * | 140.0  | 200.0  |
| 2. First Year Financial Need Scholarships (med/osteo students have priority)                      | -     | 16.0   | 17.0   | 18.0   |
| 3. Lister Hill Scholarships (100% of funds for med/osteo students)                                | 0.1   | 0.2    | 0.2    | 0.3    |
| 4. Student Loan Funds (no limitations specified but med/osteo priority implied)                   | 39.1  | 26.0   | 27.0   | 28.0   |
| 5. Insured Student Loans (50% of med/osteo students in each class in each school can participate) | -     | 500.0* | 510.0* | 520.0* |

\* Numbers represent the maximum principal amount of new loans which can be insured, not the authorized appropriations.

Table 2

Federal Student Assistance Programs

| <u>Program</u>                                          | <u>Benefits</u>                                                                                                                                                                                                                                                                                                       | <u>Obligations</u>                                                                                         |
|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| DoD                                                     |                                                                                                                                                                                                                                                                                                                       |                                                                                                            |
| 1. Armed Forces Health Professions Scholarships         | a. Tuition, fees and books paid<br>b. Stipend-\$400/mo. for 10.5 mos. and active duty O-1 pay for 1.5 mos. for each year; no inflation factor for stipend; active duty pay increases as authorized<br>c. If approved by Military Department, obligation deferral for Graduate Ed.                                     | a. 1 for 1 with min. obligation of 2 yrs. for training; 3 yr. minimum term of service                      |
| 2. Uniformed Services University of the Health Sciences | a. Tuition, fees and books paid<br>b. Receive pay of an active duty O-1<br>c. If approved by Military Department, obligation deferral for Graduate Ed.                                                                                                                                                                | a. 7 yrs. for full participation<br>b. Service on active duty in the military or in Public Health Service. |
| DHEW (P.L. 94-484)                                      |                                                                                                                                                                                                                                                                                                                       |                                                                                                            |
| 1. National Health Services Corps Scholarships (NHSC)   | a. Tuition, fees and books paid<br>b. Stipend-\$400/mo.; annual inflation factor<br>c. Automatic deferral of obligation for Graduate Education of up to 3 yrs. if requested<br>d. Grant of up to \$25,000 to enter private practice in a health manpower shortage area after completing obligated service in the NHSC | a. 1 for 1 with min. obligation of 2 yrs. service in the NHSC or in a health manpower shortage area        |
| 2. First Year Financial Need Scholarships               | a. Tuition, fees and books paid<br>b. Stipend-\$400/mo.; annual inflation factor                                                                                                                                                                                                                                      | a. No obligation                                                                                           |
| 3. Lister Hill Scholarships                             | a. Grant of up to \$8,000/yr. for up to 4 yrs.                                                                                                                                                                                                                                                                        | a. Must agree to enter into family practice of medicine in health manpower shortage area                   |
| 4. Student Loan Funds                                   | a. Loan amount limited to cost of tuition plus \$2,500                                                                                                                                                                                                                                                                | a. Repay loan with 7% interest or                                                                          |

Table 2  
Federal Student Assistance Programs

Program

Benefits

Obligations

5. Insured Student Loans

b. At HEW's discretion, loan repayment may be canceled in return for specified service

b. If repayment canceled, must serve as a civilian in a health manpower shortage area or in the NHSC 1 year for each year's cancellation

a. Loan amount limited to \$10,000/yr. with a total limit of \$50,000/student; loan may be used solely for tuition, fees, books, and other reasonable education expenses

a. Repayment of loan, with up to 10% interest, over a 10-15 year period beginning 9-12 mos. after training; no payments of principal required during postgraduate training and certain periods of service.

b. At HEW's discretion, loan repayment may be canceled in return for specified service

b. If repayment canceled, must serve as a civilian in a health manpower shortage area or in the NHSC 1 year for each year's cancellation, with a minimum of 2 years service

### PHYSICIAN RETENTION

Chairman McClellan. Your statement indicates improvement in retention rates since Variable Incentive Pay was approved in 1974. Please compare pre-Variable Incentive and post-Variable Incentive retention results. Are there any other factors besides the pay that may be influencing doctors' decisions to stay in the military?

Dr. Smith.

There are three periods used in the analysis of the retention effects of VIP. The period used to show the effects after VIP was passed is 1 October 1974 through 30 September 1975. This is the first year of experience with full implementation of the VIP system. Without VIP, data are available on FY 1973 and FY 1974.

Chart 1 provides a DoD summary retention comparison for the three largest clinical specialty groups from the second to third year of active duty. The data in this chart suggest that VIP has had a very substantial effect in increasing voluntary physician retention. The fourth column-set on the chart (labeled "Total") consists of all physicians making a decision from the second to third year of active duty, and not just those in three large specialty groups. The second to third year of active duty is the most reliable year of active duty to use to measure the retention effect of VIP. This is because this is the only year in which we can be sure that all people making a decision on whether to stay in the force or leave the force are doing so for the very first time. In later years of active duty, the retention rates we observe contain both people making a decision for the first time and those who have previously made at least one decision to stay on active duty with DoD.

Chart 2 also focuses on the crucial second to third year of active duty, but breaks the data by pay grade instead of by specialty. The "Total" column-set contains all individuals making the second to third year decision and is identical to the one in the previous chart. Chart 3, instead of summarizing the retention of all those in grades 0-3 and 0-4 who make the decision, focuses only on those who originally accessed through the Berry Plan.

Our research indicates that some of the other factors influencing doctors to stay in the military include job satisfaction and high quality training programs.

However, a belief that the VIP period retention and continuation experience will remain constant may be an incorrect assumption because of four other factors. First, inflation has steadily eroded the value of VIP since it was enacted in May of 1974. Second, the VIP period was somewhat special in that malpractice insurance became a very visible issue for civilian practitioners. Third, the state of the economy may have discouraged physicians from trying to establish a new practice. Fourth, a countervailing force may exist in the projected future increases in annual medical school graduations. This should result in a larger supply of physicians, which might make military physicians easier to retain (and recruit) in the future. However, it must be noted that the rapid increases in physicians per capita in the United States over the past twenty-five years seem to have had little effect on recruiting and retention problems. Thus the first three factors argue that future retention and continuation experience may well be lower, while a fourth suggests that it is conceivable that it would be higher. In any event, these data suggest that VIP has had a substantial effect.

Chart 1

**DOD SUMMARY RETENTION RATE COMPARISON:  
BY SPECIALTY GROUP TO 3RD YEAR**

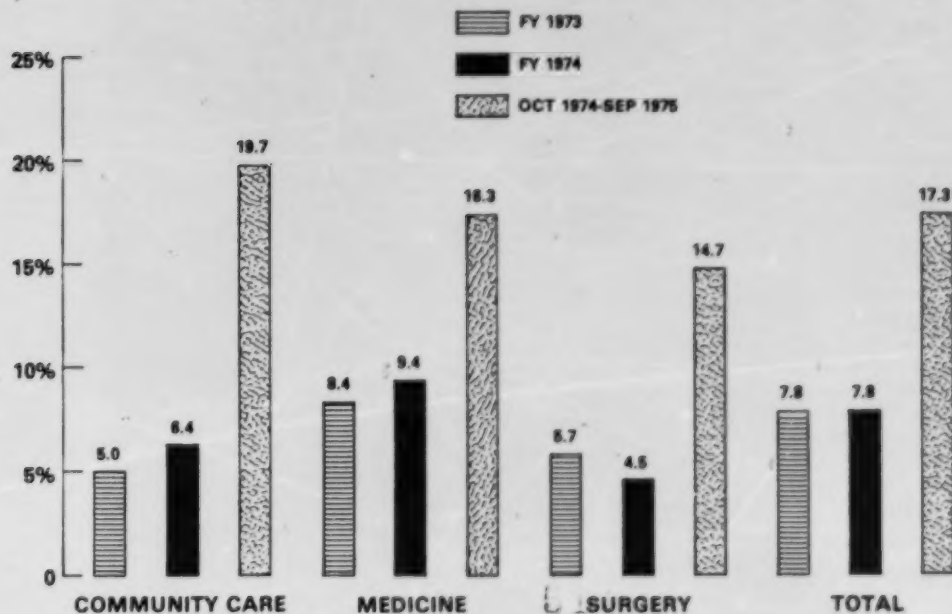


Chart 2

**DOD SUMMARY RETENTION RATE COMPARISON:  
BY GRADE TO 3RD YEAR**

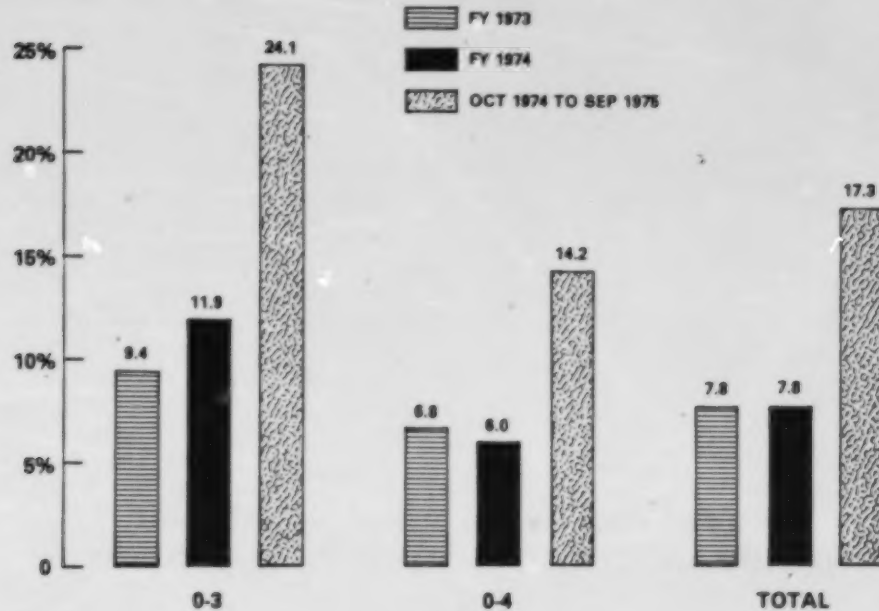
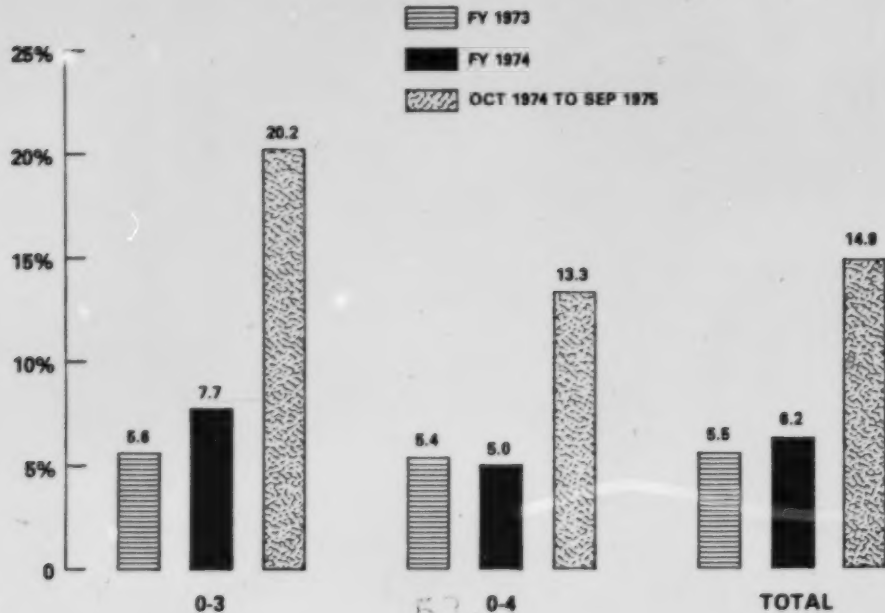


Chart 3

# **DOD SUMMARY RETENTION RATE COMPARISON: BERRY PLAN BY GRADE TO 3RD YEAR**



Chairman McClellan. Even if the Uniformed Services University is retained by the Congress, has DoD given any consideration to a revision in the law that would make the student pay at the University more in line with the ROTC scholarship program? Specifically, instead of tying student pay to military basic pay, which increases with every pay raise, why not grant students a free education, plus a fixed monthly stipend, like so many other medical training programs? Provide for the record the monthly and annual pay of a University student vs. a Health Professions Scholarship student. Be sure to include all of the components of regular military compensation (allowances and tax advantage) that accrue to University students, but which are not available to scholarship students.

On a conservative basis, how much would DoD save annually by switching to the above mentioned system of monthly fixed allowance not tied to base pay? This should be computed for the time frame when the University is fully loaded with its maximum number of students.

Dr. Smith. We have not previously given consideration to revising the law to modify University students' pay. We feel that giving the student a stipend valued at less than the amount received now (the pay and allowances of an active duty O-1) would be a reasonable alternative only if (a) the stipend were tied to a realistic inflation factor and (b) the 7 year service obligation were reduced appropriately. For example, the new National Health Service Corps Scholarship Program (NHSC) stipend will begin at the moderate value of \$400 per month, but it will be increased annually by the same percentages as civil service pay raises. The NHSC obligation is 1 for 1, with a minimum of 2 years service, much less than that required for University students. We are concerned now that our Armed Forces Health Professions Scholarship Program stipend, which is fixed at \$400 per month with no provision for inflation, will not be competitive with the NHSC program. We are also concerned with the reduced value of the \$400 due to past inflation and to the taxation of future students under the Tax Reform Act of 1976.

The pay received by Armed Forces Health Professions Scholarship Program (AFHPSP) and Uniformed Services University of the Health Sciences (USUHS) students is outlined in Table 1.

Table 1

University Students' Pay\*

|                                                  | <u>O-1 Pay<br/>Per Month</u> | <u>O-1 Pay<br/>For 12 Months</u> |
|--------------------------------------------------|------------------------------|----------------------------------|
| Basic Pay                                        | \$690.00                     | \$8280.00                        |
| Basic Allowance for Quarters,<br>with Dependents | 174.30                       | 2091.60                          |
| Basic Allowance for Subsistence                  | 55.61                        | 667.32                           |
| Cash Pay                                         | 919.91                       | 11,038.92                        |
| *Federal Income Tax Advantage                    | 47.10                        | 565.23                           |
| Regular Military Compensation                    | \$967.01                     | \$11,604.15                      |

AFHPSP Students' Pay\*

|                       | <u>Amount<br/>Per Month</u> | <u>No. Months<br/>Received</u> | <u>Pay Received During<br/>Each 12 Month Period</u> |
|-----------------------|-----------------------------|--------------------------------|-----------------------------------------------------|
| Stipend               | \$400.00                    | 10.5                           | \$4,200.00                                          |
| Cash Pay of<br>an O-1 | \$919.91                    | 1.5                            | 1,379.86                                            |
| Annual Amount         |                             |                                | \$5,579.86                                          |

\* Figures represent before tax income and do not include any reimbursements for books, fees, tuition, etc., which could affect amount of taxable income and tax liabilities.

SOURCE: O-1 pay data taken from Regular Military Compensation Data Tables for October 1976 Pay Rates, prepared by OASD(M&RA) Directorate for Compensation.

The full university student load has been planned at 175 students per class or 700 students attending in any given school year. If the annual pay amounts shown in Table 1 are assumed and University students were paid the same as AFHPSP students, a savings of about \$6024 per student or \$4.2 million per year would occur.

Internal Views

Chairman McClellan. Can you tell us what the views of the individual services, including the Surgeons General and other key medical staff personnel, were on the subject of cancellation? The Committee will accept that their opinions may not have been accepted, but we are interested in knowing who opposed and who favored the University in the health community within DoD.

Doctor Smith. Based on budgetary restrictions imposed on the Department of Defense, I support the proposal to close the University. My reasoning is contained in an earlier statement entitled, "The Economics of Closing the USUHS." Statements provided by the Services in response to this question are provided for the record:

General Taylor. The Army is faced today and over the long term with shortages of military physicians to meet military preparedness needs. The announced

closure would eliminate a prime source of high quality, military oriented physicians who were expected to form the nucleus of the career medical force in the future.

The Army was relying heavily upon the USUHS to produce graduates who were indoctrinated and dedicated to all the unique aspects of military medicine and fully prepared to become the core cadre of the Army Medical Department in the future. It was anticipated that about 25% of Army physicians would be USUHS graduates in the 1990-2000 period, resulting in long-term stability to the medical force needed for preparedness. In addition, the University was designed to provide a mechanism to enhance retention of many of our academically oriented military physicians and to enhance the quality of medical practice in the Armed Forces.

The USUHS was created by PL 92-426 in September 1972, along with the Health Professions Scholarship Program, as complementary mechanisms to offset the loss of the draft, draft-motivated and other Army physician procurement subsidy programs which we have been directed to terminate. While the Army currently has a program fill of approximately .98% of its allocated HPSP scholarships, it is not expected that the HPSP alone will be able to provide the number of quality physicians needed in the future. Increasing reliance would therefore have to be placed on the attraction of physician volunteers at a time when current experience shows a decreasing ability to compete with other Federal and civilian programs and incentives. Further, our ability to attract a sufficient number of quality applicants to the HPSP appears to be depreciating, both because of (a) the impact of the 1976 Health Professions Education Act (PL 94-484), which provided the HEW's scholarship program a competitive advantage; and (b) our inability to gain relief from the income tax obligation placed upon students under the Armed Forces HPSP. The expected average service retention of the USUHS graduate was expected to be double that of the HPSP graduate (16 vs 8 years, respectively).

The closure of the USUHS will impose at least several short-term disadvantages over and above the interruption of a planned physician accession source. The USUHS is in a unique position to pioneer and develop models in medical education

and health care delivery systems needed in military medicine. The indoctrination into the unique aspects of military medicine and the joint education of Army, Navy and Air Force students would improve the service cooperative and mutually supporting efforts as the graduates became an increasing percentage of the military medical force. The termination is a real disincentive to our personnel in all the teaching disciplines, who were expecting the USUHS as a source of refresher training, a natural umbrella for graduate medical and continuing education programs and a career opportunity to pursue medical academic excellence.

Based on these considerations, the Surgeon General of the Army supports continuation of the Uniformed Services University of the Health Sciences.

Vice Admiral Arentzen. Although USUHS is not essential to the Medical Department of the Navy in meeting the mission, its loss will have an effect on Navy medicine.

With the disestablishment of the University, the Services have lost the potential to train a small cadre of uniquely trained, military-oriented physicians. While the number of medical officers accrued through the University is small, our manpower projections are such that any loss is of concern to us, particularly those who are career motivated.

This decision may dampen the credibility of OSD and the Service with our civilian counterparts and certainly with the students and faculty.

We are concerned even more since the enactment of Public Law 94-455 which considers as taxable income all benefits received by those students in the Armed Forces Health Professions Scholarship Program. In like manner, Public Law 94-484 (The Health Professions Educational Assistance Act of 1976) is overly competitive with the Armed Forces Program and may force us out of the medical student manpower market in a very few years.

An item not measured in dollars is the fact that certain physicians wish to remain in clinical fields. The University offered such a career pattern not previously available in that physicians would aspire to the faculty of the University. It is an incentive to remain in the clinical field of medicine.

All in all, the University offered a stabilizing force in the military medical profession pointing to a stable medical educational organization within our system. Losing it just adds another note of uncertainty to the physicians of the Armed Forces.

These are my personal concerns over the loss of USUHS and are not to be construed as the official position of the Navy.

General Schafer. The USUHS was established by Congress to provide a cadre of physicians trained in the unique aspects of military medicine and a stable core of career physicians for the Federal Medical Services. From a monetary standpoint, the discontinuance of the University may result in a significant cost savings; however, such action will adversely affect the efforts of the Department of Defense to acquire the vitally needed services of military oriented physicians. This action will further erode the confidence, acceptance and support of other legislative actions affecting the military and civilian medical communities. In addition, the Air Force Medical Service predicts a significant shortfall of physicians in FY 1980 and thereafter; i.e., when USUHS students begin entering the active force, and our present known method of accessing physicians will not satisfy this shortfall. The input of USUHS would blunt this physician deficit.

#### Alternative Uses of Facility

Chairman McClellan. What are the construction requirements for other health related agencies located in Washington? Which of these requirements could be met by a renovated University building?

Would DoD recommend cancellation of the University if no alternative use could be found for the building itself — i.e., is cancellation, even recognizing "sunk" costs, a realistic and cost-effective option?

Doctor Smith. Construction requirements for the National Institutes of Health approach \$100,000,000 in the next few years. Requirements for the Naval Medical Research Institute, the Navy Bureau of Medicine and Surgery and the Armed Forces Radiology Research Institute have been identified. There are also requirements for the Walter Reed Army Institute of Research currently located in outmoded and obsolete facilities at Walter Reed. In addition to construction requirements, HEW currently has large amounts of rental space in the Washington,

D. C. area which could be eliminated by moving into the available space.

The lack of an appropriate alternative has never been considered due to known requirements in the Washington area. The basis of the decision, however, is the extended cost over the life of the university to educate physicians when compared to other alternatives.

## QUESTIONS SUBMITTED BY SENATOR JOHNSTON

Senator JOHNSTON. Mr. Chairman, I have a number of additional questions. I would like to submit them to be answered for the record.

Chairman McCLELLAN. They can be submitted and inserted at this point in the record.

[The questions and answers follow:]

## Construction Costs

Senator Johnston. A total of \$79.9 million was specifically appropriated for construction of the University. Adding planning and design costs, this total grows to about \$85 million. How much has been obligated to date?

What is the current working estimate of the cost to complete the buildings?

Please elaborate on the present status of construction. Given that status, how much would be saved if construction contracts were terminated? If the building were completed, but configured to some other use?

Doctor Smith. Obligations to date total \$65.7 million. The current working estimate is \$72.4 million. Increment I is currently 78 percent complete. Increment II is currently 17 percent complete. The amount to be saved will not be determined until the economic analysis is complete on which alternative of the four discussed is to be selected. This decision is expected some time in April 1977. Current estimates for the cost of the four estimates are as follows (in \$000):

|               | <u>Estimate</u> | <u>Current Appropriation</u> |
|---------------|-----------------|------------------------------|
| Alternative 1 | \$39,319        | 65,000                       |
| Alternative 2 | 39,429          | 65,000                       |
| Alternative 3 | 46,151          | 65,000                       |
| Alternative 4 | 35,799          | 65,000                       |

The above estimates are made on Increment II only. Increment I is so close to completion that no consideration is given to possible termination of Increment I.

Cost Per Graduate

Senator Johnston. Various indicators of the cost of the University versus alternative sources have been postulated, but it appears that the most meaningful indicator is cost per staff year of expected service. In a report dated May 5, 1976, the GAO attributed a cost per staff year of \$26,236 to the University and \$21,444 to one alternative, the Scholarship Program. Supporters of the University note that a subsequent GAO letter report, dated June 15, 1976, indicates total costs to the Government of the Scholarship Program would raise that total to \$32,068 per staff year, or significantly more than the University. Does that later report not also caution against comparing that higher cost with the University costs, since the additional amounts are not incremental--that is, would occur in any case?

Doctor Smith. Yes, the June 15, 1976 GAO letter to Mr. Price cautions against including Federal subsidies as an added cost of the Scholarship Program since they would occur in any case.

Senator Johnston. How would these cost effectiveness analyses be affected when the "sunk" costs of University construction are considered? That is, even assuming their validity at program outset, would they now be favorable when already-obligated construction costs are removed?

Doctor Smith. If the GAO analyses were to be updated to consider incremental costs from this point in time, the "sunk" costs of University construction would be larger and the amount of unincurred investment costs to be amortized would be smaller. This would definitely decrease the cost per staff year for University graduates; however, even if all construction costs were excluded from the calculation, the decrease would only amount to \$1,208 per staff year (see page 22, GAO Report, May 5, 1976). The University cost per staff year would then be \$25,028 (\$26,236 - \$1,208), still higher than the Scholarship cost per staff year of \$21,444.

#### GAO Recommendations

Senator Johnston. Opponents of the University often imply that the GAO has recommended various alternatives. Is it not true that the GAO has recommended absolutely nothing, that in fact, it was unable to assess the subjective question of whether or not the University was needed? Is not the GAO analysis a cost-effectiveness vice cost-benefit analysis because that agency was/is not in a position to gauge whether or not the University should be built?

Doctor Smith. The Department's interpretation of the GAO Report is that it offers alternatives to the University for consideration by the DoD and Congress rather than making recommendations. The GAO analysis is clearly a cost-effectiveness analysis. The GAO did not attempt to place a value on the intangible benefits associated with University graduates.

#### Requirements

Senator Johnston. Since it appears that similar statistics can--and are--being variously used to both prove and disprove cost relationships, it would seem much more appropriate to address the question of which acquisition method can best meet the requirements of the military and public health sectors. What are the qualitative advantages which the University may have over alternative programs? Although even more subjective, what is the weight of these qualitative advantages--that is, are they sufficiently important as to outweigh what may be a higher cost? Please elaborate.

Doctor Smith. Assuming the cost was not a factor there are advantages that should accrue to USUHS graduates to a greater degree than to physicians obtained through other sources. The USUHS Bulletin 1977-1978 listed these opportunities provided by USUHS for the Uniformed Services as:

(1) Recruit individuals as students who are motivated toward becoming career Medical Corps officers; (2) establish an academic environment which will provide the stimulation to, and opportunities for, individuals to develop the attitudes, knowledge, skills and sense of responsibility required of a compassionate, competent military physician; (3) assure a continued sound scientific basis for military medical practice by the establishment of exemplary basic and clinical investigative programs; (4) enrich the scholarly experiences of students by providing an awareness of the history of medicine and particular emphasis on the accomplishments of military medicine; (5) develop and conduct continuing education programs to assure lifelong professional competence; (6) develop graduate level programs in areas of health education and patient care appropriate to the needs of the military services; (7) provide the necessary global perspective to health care education; (8) facilitate recognition of the contributions of military physicians to academic medicine; and (9) design and experiment with models of health care delivery suited to the unique needs of the military services.

It has been concluded, however, that these advantages do not outweigh the higher cost.

#### MEDICAL RECRUITING

**Senator Johnston.** What are the numerical recruiting goals for the military departments over the next ten years (annual)? How could/would the University stand as an acquisition source? What have been our recruiting results in FY 1975, 76 and 77 to date, compared with our objective?

**Dr. Smith.**

The following table contains the requested information on medical recruiting.

| Fiscal Year | Number Volunteers Needed | Number Volunteers Obtained | Proposed USUHS Accessions |
|-------------|--------------------------|----------------------------|---------------------------|
| 1975        | 988                      | 454                        | 0                         |
| 1976        | 1349                     | 658                        | 0                         |
| 1977        | 1098                     | 351                        | 0                         |
| 1977        | 1756                     | 188*                       | 0                         |
| 1978        | 1715                     | -                          | 0                         |
| 1979        | 1348                     | -                          | 0                         |
| 1980        | 1219                     | -                          | 30                        |
| 1981        | 1018                     | -                          | 65                        |
| 1982        | 643**                    | -                          | 112                       |
| 1983        | 653                      | -                          | 143                       |
| 1984        | 653                      | -                          | 166                       |
| 1985        | 653                      | -                          | 166                       |
| 1986        | 653                      | -                          | 166                       |
| 1987        | 653                      | -                          | 166                       |

\* Through mid-February. There are 1010 volunteers expected FY 1977, principally entering during the summer.

\*\* Requirement for volunteers decreases starting in 1982 because of increases in retention of the force and force structure stability.

Senator Johnston. Are physician recruiting goals based upon peacetime or mobilization requirements? If the latter, why could we not base our recruiting on peacetime needs, assuming that we could tap the domestic pool in time of mobilization, with the military cadre acting as a core of expertise?

Dr. Smith. Physician recruiting goals are based on the peacetime manpower authorizations of the military departments.

Senator Johnston. What percentage of medical recruits are products of foreign medical schools? What portion are foreign nationals? What is the trend in this area?

Dr. Smith. The total physician accessions during FY 1976 including the subsidized programs such as the university and the Armed Forces Health Professions Scholarship Program was 2,905. The 237 FMG that were recruited represents 8% of the total physician accession during FY 1976. Based upon the data available we are not able to predict a trend in this area.

Senator Johnston. What problems do you foresee in the ability of the Department of Defense to attract and retain qualified physicians, particularly in competition with civilian scholarship programs?

Dr. Smith. We are concerned about whether our Armed Forces Health Professions Scholarship Program can remain competitive

in view of changes in taxation regulations (Tax Reform Act of 1976) and the expanded student assistance programs authorized by the Health Professions Education Assistance Act of 1976. This Act (P.L. 94-484) authorizes substantial increases in non-Department of Defense Federal physician assistant programs which, if fully funded, could provide some form of assistance to about three-fourths (40,000 to 50,000) of all medical and osteopathic students in this country during the next several fiscal years. Department of Defense will have to compete with these Federal programs and the programs offered by state and local governments and private organizations for those students who desire assistance.

#### Timing of Action

Senator Johnston. By what point would it be too late to change the Administration position in order to effectively process applicants for next year's entering class and/or assure educational continuity for the presently-enrolled 32 students?

Doctor Smith. After 15 May 1977 it would be too late to effectively process applicants for the next school year's entering class.

## QUESTIONS SUBMITTED BY SENATOR YOUNG

Senator Young, I have a number of questions which I would appreciate your answering for the record.

[The questions and answers follow:]

## PAY OF MILITARY PHYSICIANS

Senator Young. What is the pay of the military physician today from the rank of Captain to General including all benefits and incentive pay?

Doctor Smith. The following charts reflect the pay scales for physicians who have attained eligibility for Variable Incentive Pay or Continuation Pay. The separate tables reflect amounts for 1, 2, 3 and 4 year contracts plus the table for physicians serving longterm medical training obligations. Also attached is a fact sheet on total military compensation which includes information on benefits.

TOTAL PAY - PHYSICIANS BEYOND INITIAL SERVICE OBLIGATION  
WITH 1 YEAR AGREEMENT FOR ADDITIONAL SERVICE  
MARRIED, THREE DEPENDENTS, LIVING OFF-POST

| Years of Service<br>Active | Pay Grade | Rate | RMC <sup>1</sup> | Special Pay <sup>2</sup> |                                        |                                  | Additional Tax <sup>3</sup><br>Advantage<br>on Special Pay <sup>4</sup> | Total Pay |
|----------------------------|-----------|------|------------------|--------------------------|----------------------------------------|----------------------------------|-------------------------------------------------------------------------|-----------|
|                            |           |      |                  | Professional<br>Pay      | Variable Incentive<br>Pay <sup>5</sup> | Continuation<br>Pay <sup>5</sup> |                                                                         |           |
| <2                         | <6        | 0-3  | \$18,966         | \$1,200                  | \$12,000                               | \$ 0                             | \$ 963                                                                  | \$33,129  |
| 2                          | 6         | 0-3  | 19,717           | 4,200                    | 12,000                                 | 0                                | 1,191                                                                   | 37,108    |
| 4                          | 8         | 0-3  | 20,312           | 4,200                    | 12,000                                 | 0                                | 1,170                                                                   | 37,682    |
| 6                          | 10        | 0-4  | 22,577           | 4,200                    | 12,000                                 | 0                                | 1,204                                                                   | 40,081    |
| 8                          | 12        | 0-4  | 23,621           | 4,200                    | 12,000                                 | 0                                | 1,202                                                                   | 41,103    |
| 10                         | 14        | 0-4  | 24,495           | 4,200                    | 11,500                                 | 0                                | 1,204                                                                   | 41,459    |
| 12                         | 16        | 0-5  | 27,001           | 4,200                    | 11,500                                 | 0                                | 1,471                                                                   | 45,052    |
| 14                         | 18        | 0-5  | 29,208           | 4,200                    | 11,500                                 | 0                                | 1,514                                                                   | 46,422    |
| 16                         | 20        | 0-5  | 29,953           | 4,200                    | 11,000                                 | 0                                | 1,486                                                                   | 46,639    |
| 18                         | 22        | 0-6  | 34,941           | 4,200                    | 11,000                                 | 0                                | 1,646                                                                   | 51,187    |
| 22                         | 26        | 0-6  | 37,534           | 4,200                    | 10,000                                 | 0                                | 1,535                                                                   | 53,269    |
| 20                         | 24        | 0-7  | 43,061           | 4,200                    | 0                                      | 8,505                            | 1,420                                                                   | 57,286    |
| 22                         | 26        | 0-8  | 48,849           | 4,200                    | 0                                      | 6,502                            | 1,065                                                                   | 60,656    |
| 26                         | 30        | 0-9  | 53,694           | 4,200                    | 0                                      | 7,301                            | 854                                                                     | 66,549*   |

1 October 1974 pay rates, amended by Executive Level V salary increase of February 1977; 1977 tax rates. Single physicians and physicians with larger families will have smaller RMC's. Physicians with smaller families will have larger RMC's.

2 Physicians are not eligible for VIP during initial active duty obligation or during initial residency training.

3 Physicians on active duty prior to 1 July 1974 who are beyond their initial service obligation may be eligible for continuation pay, but not VIP, during initial residency training.

4 Additional tax advantage results from adding special pays to taxable income, resulting in a higher tax bracket and therefore a higher tax advantage.

\* Includes \$500 (Personal Money Allowance).

TOTAL PAY - PHYSICIANS BEYOND INITIAL SERVICE OBLIGATION  
WITH 2 YEAR AGREEMENT FOR ADDITIONAL SERVICE  
MARRIED, THREE DEPENDENTS LIVING OFF-POST

| Years of Service<br>Active | Pay Credit | Grade | RMC <sup>1</sup> | Special Pays        |                                        |                     | Additional Tax Adv<br>on Special Pays | Total Pay |
|----------------------------|------------|-------|------------------|---------------------|----------------------------------------|---------------------|---------------------------------------|-----------|
|                            |            |       |                  | Professional<br>Pay | Variable Incentive<br>Pay <sup>2</sup> | Continuation<br>Pay |                                       |           |
| 2                          | 6          | 0-3   | \$18,966         | \$1,200             | \$12,500                               | 0                   | \$ 996                                | \$33,660  |
| 2                          | 6          | 0-3   | 19,117           | 4,200               | 12,500                                 | 0                   | 1,215                                 | 37,632    |
| 4                          | 8          | 0-3   | 20,312           | 4,200               | 12,500                                 | 0                   | 1,215                                 | 38,228    |
| 6                          | 10         | 0-4   | 22,577           | 4,200               | 12,500                                 | 0                   | 1,522                                 | 40,599    |
| 8                          | 12         | 0-4   | 23,621           | 4,200               | 12,500                                 | 0                   | 1,308                                 | 41,629    |
| 10                         | 14         | 0-4   | 24,495           | 4,200               | 12,000                                 | 0                   | 1,301                                 | 41,996    |
| 12                         | 16         | 0-5   | 27,881           | 4,200               | 12,000                                 | 0                   | 1,512                                 | 45,593    |
| 14                         | 18         | 0-5   | 29,200           | 4,200               | 12,000                                 | 0                   | 1,571                                 | 46,971    |
| 16                         | 20         | 0-5   | 29,953           | 4,200               | 11,300                                 | 0                   | 1,521                                 | 46,974    |
| 18                         | 22         | 0-6   | 34,941           | 4,200               | 11,300                                 | 0                   | 1,676                                 | 52,117    |
| 22                         | 26         | 0-6   | 37,534           | 4,200               | 10,300                                 | 0                   | 1,565                                 | 53,599    |
| 20                         | 24         | 0-7   | 43,061           | 4,200               | 0                                      | 8,585               | 1,420                                 | 57,266    |
| 22                         | 26         | 0-8   | 48,049           | 4,200               | 0                                      | 6,582               | 1,065                                 | 60,696    |
| 26                         | 30         | 0-9   | 53,694           | 4,200               | 0                                      | 7,381               | 854                                   | 66,549    |

<sup>1</sup> October 1976 pay rates, amended by Executive Level V salary increase of February 1977; 1977 tax rates. Single physicians and physicians with larger families will have smaller RMC's. Physicians with smaller families will have larger RMC's.

<sup>2</sup> Physicians are not eligible for VIP during initial active duty obligation or during initial residency training.

<sup>3</sup> Physicians on active duty prior to 1 July 1974 who are beyond their initial service obligation may be eligible for continuation pay, but not VIP, during initial residency training.

<sup>4</sup> Additional tax advantage results from adding special pays to taxable income, resulting in a higher tax bracket and therefore a higher tax advantage.

• Includes \$500 Personal Money Allowance.

TOTAL PAY - PHYSICIANS BEYOND INITIAL SERVICE OBLIGATION  
WITH 3 YEAR AGREEMENT FOR ADDITIONAL SERVICE  
MARRIED, THREE DEPENDENTS LIVING OFF POST

| Years of Service<br>Active | Pay Credits | Grade | RMC <sup>1</sup> | Special Pays        |                                        |                                  | Additional Tax Adv.<br>on Special Pays <sup>4</sup> | Total Pay |
|----------------------------|-------------|-------|------------------|---------------------|----------------------------------------|----------------------------------|-----------------------------------------------------|-----------|
|                            |             |       |                  | Professional<br>Pay | Variable Incentive<br>Pay <sup>2</sup> | Continuation<br>Pay <sup>3</sup> |                                                     |           |
| < 2                        | < 6         | 0-3   | \$18,966         | \$1,200             | \$15,000                               | \$ 0                             | \$1,064                                             | \$36,230  |
| 2                          | 6           | 0-3   | 19,711           | 4,200               | 15,000                                 | 0                                | 1,209                                               | 39,920    |
| 4                          | 8           | 0-3   | 20,312           | 4,200               | 15,000                                 | 0                                | 1,261                                               | 40,773    |
| 6                          | 10          | 0-4   | 22,577           | 4,200               | 13,000                                 | 0                                | 1,348                                               | 41,125    |
| 8                          | 12          | 0-4   | 23,621           | 4,200               | 13,000                                 | 0                                | 1,393                                               | 42,214    |
| 10                         | 14          | 0-4   | 24,495           | 4,200               | 12,500                                 | 0                                | 1,355                                               | 42,550    |
| 12                         | 16          | 0-5   | 27,881           | 4,200               | 12,500                                 | 0                                | 1,559                                               | 46,140    |
| 14                         | 18          | 0-5   | 29,208           | 4,200               | 12,500                                 | 0                                | 1,649                                               | 47,557    |
| 16                         | 20          | 0-5   | 29,953           | 4,200               | 11,600                                 | 0                                | 1,555                                               | 47,308    |
| 18                         | 22          | 0-6   | 34,991           | 4,200               | 11,600                                 | 0                                | 1,706                                               | 52,497    |
| 20                         | 24          | 0-6   | 37,534           | 4,200               | 10,600                                 | 0                                | 1,595                                               | 53,929    |
| 20                         | 24          | 0-7   | 45,061           | 4,200               | 0                                      | 8,585                            | 1,420                                               | 57,266    |
| 22                         | 26          | 0-8   | 48,849           | 4,200               | 0                                      | 6,582                            | 1,065                                               | 60,696    |
| 25                         | 30          | 0-9   | 53,694           | 4,200               | 0                                      | 7,301                            | 854                                                 | 66,049*   |

<sup>1</sup> October 1976 pay rates, amended by Executive Level V salary increase of February 1977; 1977 tax rates. Single physicians and physicians with larger families will have smaller RMC's. Physicians with smaller families will have larger RMC's.

<sup>2</sup> Physicians are not eligible for VIP during initial active duty obligation or during initial residency training.

<sup>3</sup> Physicians on active duty prior to 1 July 1974 who are beyond their initial service obligation may be eligible for continuation pay, but not VIP, during initial residency training.

<sup>4</sup> Additional tax advantage results from adding special pays to taxable income, resulting in a higher tax bracket and therefore a higher tax advantage.

\* Includes \$500 Personal Money Allowance.

TOTAL PAY - PHYSICIANS BEYOND INITIAL SERVICE OBLIGATION  
WITH 4 YEAR AGREEMENT FOR ADDITIONAL SERVICE  
MARRIED, THREE DEPENDENTS, LIVING OFF-POST

| Years of Service |            | Grade | RMC <sup>1</sup> | Special Pays        |                                        |                                  | Additional Tax Adv <sup>4</sup><br>on Special Pays | Total Pay |
|------------------|------------|-------|------------------|---------------------|----------------------------------------|----------------------------------|----------------------------------------------------|-----------|
| Active           | Pay Credit |       |                  | Professional<br>Pay | Variable Incentive<br>Pay <sup>2</sup> | Continuation<br>Pay <sup>3</sup> |                                                    |           |
| < 2              | < 6        | 0-3   | \$18,788         | \$1,200             | \$13,500                               | \$ 0                             | \$1,102                                            | \$34,708  |
| 2                | 6          | 0-4   | 19,711           | 4,200               | 13,500                                 | 0                                | 1,310                                              | 38,721    |
| 4                | 8          | 0-3   | 20,312           | 4,200               | 13,500                                 | 0                                | 1,319                                              | 39,331    |
| 6                | 10         | 0-4   | 22,771           | 4,200               | 13,500                                 | 0                                | 1,574                                              | 41,045    |
| 8                | 12         | 0-4   | 23,621           | 4,200               | 13,500                                 | 0                                | 1,408                                              | 42,729    |
| 10               | 14         | 0-4   | 24,495           | 4,200               | 13,000                                 | 0                                | 1,410                                              | 43,105    |
| 12               | 16         | 0-5   | 27,881           | 4,200               | 13,000                                 | 0                                | 1,616                                              | 46,697    |
| 14               | 18         | 0-5   | 29,208           | 4,200               | 13,000                                 | 0                                | 1,687                                              | 48,095    |
| 16               | 20         | 0-5   | 29,953           | 4,200               | 12,000                                 | 0                                | 1,636                                              | 47,755    |
| 18               | 22         | 0-6   | 34,941           | 4,200               | 12,000                                 | 0                                | 1,746                                              | 52,887    |
| 22               | 26         | 0-6   | 37,534           | 4,200               | 11,000                                 | 0                                | 1,635                                              | 54,369    |
| 20               | 24         | 0-7   | 43,061           | 4,200               | 0                                      | 8,585                            | 1,420                                              | 57,266    |
| 22               | 26         | 0-8   | 48,849           | 4,200               | 0                                      | 6,582                            | 1,065                                              | 60,696    |
| 26               | 30         | 0-9   | 53,694           | 4,200               | 0                                      | 7,301                            | 854                                                | 66,549*   |

<sup>1</sup> October 1976 pay rates, amended by Executive Level V salary increase of February 1977; 1977 tax rates. Single physicians and physicians with larger families will have smaller RMC's. Physicians with smaller families will have larger RMC's.

<sup>2</sup> Physicians are not eligible for VIP during initial active duty obligation or during initial residency training.

<sup>3</sup> Physicians on active duty prior to 1 July 1974 who are beyond their initial service obligation may be eligible for continuation pay, but not VIP, during initial residency training.

<sup>4</sup> Additional tax advantage results from adding special pays to taxable income, resulting in a higher tax bracket and therefore a higher tax advantage.

\* Includes \$500 Personal Money Allowance.

**TOTAL PAY - PHYSICIANS WITH MEDICAL TRAINING OBLIGATIONS**  
**MARRIED, THREE DEPENDENTS, LIVING OFF POST**

| Years of Service | Pay Credit | Grade | RMC <sup>1</sup> | Special Pays        |                                        |                                  | Additional Tax Adv.<br>on Special Pays <sup>5</sup> | Total Pay |
|------------------|------------|-------|------------------|---------------------|----------------------------------------|----------------------------------|-----------------------------------------------------|-----------|
|                  |            |       |                  | Professional<br>Pay | Variable Incentive<br>Pay <sup>2</sup> | Continuation<br>Pay <sup>3</sup> |                                                     |           |
| < 2              | < 6        | O-3   | \$18,966         | \$1,200             | \$9,000                                | \$ 0                             | \$ 704                                              | \$29,870  |
| 2                | 6          | O-3   | 19,717           | 4,200               | 9,000                                  | 0                                | 949                                                 | 33,866    |
| 4                | 8          | O-3   | 20,312           | 4,200               | 9,000                                  | 0                                | 964                                                 | 34,476    |
| 6                | 10         | O-3   | 21,228           | 4,200               | 9,000                                  | 0                                | 988                                                 | 35,416    |
| 8                | 12         | O-4   | 23,621           | 4,200               | 9,000                                  | 0                                | 1,011                                               | 37,832    |
| 10               | 14         | O-4   | 24,495           | 4,200               | 9,000                                  | 0                                | 1,062                                               | 38,757    |
| 12               | 16         | O-5   | 27,881           | 4,200               | 9,000                                  | 0                                | 1,158                                               | 42,239    |
| 14               | 18         | O-5   | 29,208           | 4,200               | 9,000                                  | 0                                | 1,261                                               | 43,669    |
| 16               | 20         | O-5   | 29,953           | 4,200               | 9,000                                  | 0                                | 1,286                                               | 44,439    |
| 18               | 22         | O-6   | 30,892           | 4,200               | 9,000                                  | 0                                | 1,273                                               | 45,365    |
| 22               | 26         | O-6   | 37,534           | 4,200               | 9,000                                  | 0                                | 1,435                                               | 52,169    |
| 20               | 24         | O-7   | 43,061           | 4,200               | 0                                      | 8,585                            | 1,420                                               | 57,266    |
| 22               | 26         | O-8   | 48,849           | 4,200               | 0                                      | 6,582                            | 1,065                                               | 60,696    |
| 26               | 30         | O-9   | 53,694           | 4,200               | 0                                      | 7,301                            | 854                                                 | 66,049    |

<sup>1</sup> October 1976 pay rates, amended by Executive Level V salary increase of February 1977; 1977 tax rates. Single physicians and physicians with larger families will have smaller RMC's. Physicians with smaller families will have larger RMC's.

<sup>2</sup> Physicians are not eligible for VIP during initial active duty obligation or during initial residency training.

<sup>3</sup> Physicians on active duty prior to 1 July 1974 who are beyond their initial service obligation may be eligible for continuation pay, but not VIP, during initial residency training.

<sup>4</sup> Additional tax advantage results from adding special pays to taxable income, resulting in a higher tax bracket and therefore a higher tax advantage.

<sup>5</sup> Includes \$500 Personal Money Allowance.

## FACT SHEET

## ANNUAL MILITARY TOTAL COMPENSATION

Because of continuing interest in comparisons of military compensation with civilian compensation, the Department of Defense has attempted estimates of total military compensation.

Attached is a display of military compensation for representative cases in each pay grade. The Third Quadrennial Review of Military Compensation (QRMC) has identified four possible work level equivalency links with the Federal civil service using traditional civil service job classification techniques to determine civil service grade equivalents. There are other possible equivalencies using other work level evaluation systems. These possible linkages could be with the General Schedule (GS) or with a mix of GS and Wage Grade (WG) to reflect the mix of "white collar" and "blue collar" type jobs in military service. The GS/WG mix would involve relatively higher pay levels than the GS linkage while the GS linkage would involve relatively lower pay and expanded use of the system of bonuses and special pays to meet attraction and retention needs in higher paid skills.

Regular Military Compensation (RMC) includes basic pay, the allowances for quarters and subsistence and the tax advantage on these three pays from the fact that the two allowances are not subject to federal income tax. It is an approximate military equivalent of civilian salary and can be compared to civilian salaries at linkage grades.

| Grade | Example Work Level Linkages |          |          |      |                 |        |
|-------|-----------------------------|----------|----------|------|-----------------|--------|
|       | Military Service            | RMC      | Civilian |      | Civilian Salary |        |
|       |                             |          | Grade    | Step | GS              | GS/WG  |
| E-3   | 2                           | \$ 7,887 | 3        | 2    | \$ 7,655        | 9,862  |
| E-7   | 14                          | 14,190   | 7        | 4    | 12,675          | 14,730 |
| O-2   | 2                           | 13,354   | 9        | 2    | 14,567          | 14,567 |
| O-5   | 16                          | 27,837   | 14       | 3    | 30,641          | 30,641 |

Since there are a different number of grades between linkage grades in the military grade structure and the civil service grade structures, and since the work level progression between grades in the two systems is not the same, grade by grade comparisons other than at linkage grades cannot be made with any degree of accuracy.

The value of benefits is much less precise, but can be estimated on the force as a whole as a percentage of pay. The benefits included in this display are retirement, survivor benefits, life insurance, health care, annual leave, holidays, and medical absences. These are the benefits being considered in the total comparability system being developed in the Civil Service Commission as recommended by the President's Panel on Federal Compensation. In both systems the pay and major benefits package accounts for over 95% of all direct personnel costs.

The aggregate present value of the major military benefits to the force as a whole is equivalent to about 41% of RMC. Civil

service major benefits amount to about 37% of basic salary calculated on the same basis. One estimate of the value of major military benefits to individual members is shown and explained in the attached displays. The estimates are not of pay setting accuracy; attributions are relatively imprecise and are not standardized. However, any comparisons attempted must use the same basis for valuations. The basis for calculating RMC and benefit values follow the display.

There are other pays and benefits in both the military and civil service compensation systems to meet the peculiar needs of each. These include premium pays for overtime, etc., direct health care, commissary services and the like in the civil service; and in the military such institutional benefits as commissaries, exchanges, morale and welfare activities, and the medical care provided above that which personnel would buy themselves if given a choice. These account for less than 5% of direct personnel costs in both systems.

Work level linkages are based on general comparability of similar but not identical jobs. They do not assess the conditions of employment or the conditions under which the job is performed. Thus, they do not include consideration of the aspects of military service which differ from civilian norms, such as long and irregular hours, frequent directed moves, directed family separation, field duty for training, hazardous duty assignments, sea duty, mandatory retirement from service in the middle of normal working life, and the liability to exposure to combat.

SELECTED EXAMPLES OF ANNUAL MILITARY COMPENSATION

1. REGULAR MILITARY COMPENSATION (RMC)

| PAY GRADE | LONGEVITY STEP | TYPICAL NR DEPS | BASIC PAY | QUARTERS | SUBSIDENCE | CASH PAY SUBTOTAL | FEDERAL TAX ADVANTAGE | RMC    | FEDERAL INCOME TAX | SOCIAL SECURITY TAX | TAKE HOME PAY AFTER TAXES |
|-----------|----------------|-----------------|-----------|----------|------------|-------------------|-----------------------|--------|--------------------|---------------------|---------------------------|
| E1        | <2             | 0               | 4493.     | 816.     | 967.       | 6346.             | 386.                  | 6732.  | 277.               | 263.                | 5406.                     |
| E2        | <2             | 0               | 5008.     | 940.     | 967.       | 6914.             | 412.                  | 7326.  | 305.               | 293.                | 6257.                     |
| E3        | <2             | 0               | 5198.     | 1062.    | 967.       | 7228.             | 445.                  | 7673.  | 397.               | 304.                | 6526.                     |
| E3        | <2             | 1               | 5198.     | 1541.    | 967.       | 7706.             | 480.                  | 8186.  | 400.               | 304.                | 7243.                     |
| E4        | 1              | 1               | 6044.     | 1775.    | 967.       | 8786.             | 543.                  | 9329.  | 291.               | 354.                | 8142.                     |
| E5        | 4              | 2               | 6700.     | 2020.    | 967.       | 9686.             | 701.                  | 10417. | 311.               | 392.                | 9184.                     |
| E6        | 8              | 3               | 8158.     | 2196.    | 967.       | 11321.            | 719.                  | 12040. | 320.               | 477.                | 10524.                    |
| E7        | 14             | 0               | 10199.    | 1541.    | 967.       | 12707.            | 666.                  | 13372. | 1375.              | 597.                | 10735.                    |
| E7        | 14             | 3               | 10199.    | 2380.    | 967.       | 13546.            | 729.                  | 14275. | 689.               | 597.                | 12260.                    |
| E8        | 18             | 3               | 12082.    | 2549.    | 967.       | 15598.            | 756.                  | 16353. | 1047.              | 707.                | 13844.                    |
| E9        | 22             | 3               | 14668.    | 2743.    | 967.       | 18578.            | 996.                  | 19574. | 1528.              | 870.                | 16181.                    |
| W/S       | 26             | 3               | 19825.    | 2743.    | 967.       | 23535.            | 1361.                 | 24896. | 2586.              | 965.                | 19244.                    |
| W1        | 10             | 3               | 10422.    | 2365.    | 667.       | 13455.            | 660.                  | 14115. | 731.               | 610.                | 12114.                    |
| W2        | 16             | 3               | 12661.    | 2563.    | 667.       | 15892.            | 701.                  | 16593. | 1145.              | 741.                | 14006.                    |
| W3        | 20             | 3               | 15026.    | 2648.    | 667.       | 18541.            | 945.                  | 19486. | 1557.              | 819.                | 16105.                    |
| W4        | 26             | 3               | 19037.    | 3114.    | 667.       | 22818.            | 1355.                 | 24173. | 2389.              | 965.                | 19464.                    |
| O1        | <2             | 0               | 12880.    | 1606.    | 667.       | 14553.            | 618.                  | 15171. | 958.               | 484.                | 9111.                     |
| O1        | <2             | 1               | 12880.    | 2092.    | 667.       | 15539.            | 656.                  | 16195. | 958.               | 484.                | 9999.                     |
| O2        | 2              | 0               | 10422.    | 2056.    | 667.       | 13145.            | 731.                  | 13876. | 1424.              | 610.                | 11111.                    |
| O2        | 2              | 2               | 10422.    | 2673.    | 667.       | 13692.            | 715.                  | 14407. | 892.               | 610.                | 12190.                    |
| O3        | 4              | 3               | 14468.    | 2912.    | 667.       | 18048.            | 918.                  | 18966. | 1454.              | 846.                | 15748.                    |
| O4        | 10             | 3               | 17174.    | 3229.    | 667.       | 21270.            | 1307.                 | 22577. | 1991.              | 965.                | 18314.                    |
| O5        | 16             | 0               | 21834.    | 2992.    | 667.       | 25493.            | 2285.                 | 27778. | 4576.              | 965.                | 19951.                    |
| O5        | 16             | 3               | 21834.    | 3674.    | 667.       | 26105.            | 1777.                 | 27881. | 3090.              | 965.                | 22050.                    |
| O6        | 22             | 3               | 27821.    | 3935.    | 667.       | 32423.            | 2518.                 | 34941. | 4647.              | 965.                | 26611.                    |
| O7        | 28             | 2               | 34140.    | 4457.    | 667.       | 39465.            | 3679.                 | 43143. | 7423.              | 965.                | 31076.                    |
| O8        | 30             | 2               | 39492.    | 4457.    | 667.       | 44616.            | 4319.                 | 48935. | 9506.              | 965.                | 34145.                    |
| O9        | 30             | 2               | 43405.    | 4457.    | 667.       | 48929.            | 4840.                 | 53769. | 11400.             | 965.                | 36544.                    |
| O10       | 30             | 1               | 47498.    | 4457.    | 667.       | 52623.            | 5182.                 | 57805. | 13495.             | 965.                | 38162.                    |
| C/S       |                | 1               | 47498.    | 4457.    | 667.       | 52623.            | 5182.                 | 57805. | 13495.             | 965.                | 38162.                    |

# II. ESTIMATED PRESENT VALUE OF MAJOR BENEFITS

| PAY<br>GRADE | LONGEV-<br>ITY STEP | TYPICAL<br>NR DEPS | MILITARY   | ESTATE BENEFITS |       | MEDICAL CARE |          | ABSENCES<br>(AMS) | TOTAL<br>BENEFITS | BENEFITS<br>LESS AMS |
|--------------|---------------------|--------------------|------------|-----------------|-------|--------------|----------|-------------------|-------------------|----------------------|
|              |                     |                    | RETIREMENT | SOC. SEC.       | OTHER | CURRENT      | DEFERRED |                   |                   |                      |
| E1           | <2                  | 0                  | 1200.      | 222.            | 88.   | 188.         | 158.     | 666.              | 2522.             | 1856.                |
| E2           | <2                  | 0                  | 1337.      | 248.            | 91.   | 188.         | 158.     | 725.              | 2747.             | 2022.                |
| E3           | <2                  | 0                  | 1388.      | 257.            | 92.   | 188.         | 158.     | 760.              | 2843.             | 2083.                |
| E3           | <2                  | 1                  | 1388.      | 257.            | 92.   | 852.         | 158.     | 810.              | 3557.             | 2747.                |
| E4           | 3                   | 1                  | 1614.      | 299.            | 86.   | 852.         | 158.     | 924.              | 3933.             | 3009.                |
| E5           | 4                   | 2                  | 1789.      | 332.            | 136.  | 852.         | 158.     | 1037.             | 4303.             | 3266.                |
| E6           | 8                   | 3                  | 2178.      | 404.            | 226.  | 852.         | 158.     | 1192.             | 5010.             | 3818.                |
| E7           | 14                  | 0                  | 2723.      | 505.            | 363.  | 188.         | 158.     | 1324.             | 5261.             | 3937.                |
| E7           | 14                  | 3                  | 2723.      | 505.            | 363.  | 852.         | 158.     | 1413.             | 6014.             | 4601.                |
| E8           | 18                  | 3                  | 3226.      | 598.            | 451.  | 852.         | 158.     | 1619.             | 6904.             | 5285.                |
| E9           | 22                  | 3                  | 3970.      | 736.            | 519.  | 852.         | 0.       | 1938.             | 8015.             | 6077.                |
| M/S          | 26                  | 3                  | 5293.      | 817.            | 546.  | 852.         | 0.       | 2465.             | 9973.             | 7508.                |
| M1           | 10                  | 3                  | 2751.      | 516.            | 548.  | 852.         | 158.     | 1397.             | 6223.             | 4826.                |
| M2           | 16                  | 3                  | 3343.      | 627.            | 578.  | 852.         | 158.     | 1643.             | 7200.             | 5558.                |
| M3           | 20                  | 3                  | 3967.      | 744.            | 610.  | 852.         | 0.       | 1929.             | 8102.             | 6173.                |
| M4           | 26                  | 3                  | 5026.      | 817.            | 663.  | 852.         | 0.       | 2393.             | 9751.             | 7358.                |
| O1           | <2                  | 0                  | 2186.      | 410.            | 141.  | 188.         | 158.     | 1106.             | 4189.             | 3083.                |
| O1           | <2                  | 1                  | 2186.      | 410.            | 141.  | 852.         | 158.     | 1149.             | 4896.             | 3747.                |
| O2           | 2                   | 0                  | 2751.      | 516.            | 232.  | 188.         | 158.     | 1374.             | 5219.             | 3845.                |
| O2           | 2                   | 2                  | 2751.      | 516.            | 232.  | 852.         | 158.     | 1426.             | 5935.             | 4509.                |
| O3           | 4                   | 3                  | 3820.      | 716.            | 309.  | 852.         | 158.     | 1878.             | 7733.             | 5855.                |
| O4           | 10                  | 3                  | 4587.      | 817.            | 438.  | 852.         | 158.     | 2235.             | 9086.             | 6851.                |
| O5           | 16                  | 0                  | 5764.      | 817.            | 755.  | 188.         | 158.     | 2750.             | 10432.            | 7682.                |
| O5           | 16                  | 3                  | 5764.      | 817.            | 755.  | 852.         | 158.     | 2760.             | 11106.            | 8346.                |
| O6           | 22                  | 3                  | 7345.      | 817.            | 1146. | 852.         | 0.       | 3459.             | 13619.            | 10160.               |
| O7           | 28                  | 2                  | 9066.      | 817.            | 1513. | 852.         | 0.       | 4271.             | 16519.            | 12248.               |
| OM           | 30                  | 2                  | 10426.     | 817.            | 1582. | 852.         | 0.       | 4845.             | 18521.            | 13676.               |
| O9           | 30                  | 2                  | 11564.     | 817.            | 1639. | 852.         | 0.       | 5323.             | 20196.            | 14873.               |
| O10          | 30                  | 1                  | 12540.     | 817.            | 1689. | 852.         | 0.       | 5723.             | 21620.            | 15897.               |
| C/S          |                     | 1                  | 12540.     | 817.            | 1689. | 852.         | 0.       | 5723.             | 21620.            | 15897.               |

## BASES FOR CALCULATIONS

1. Regular Military Compensation. Calculations are based on October 1976 rates for basic pay, basic allowance for quarters, and basic allowance for subsistence, and assumes that all members receive the two allowances in cash. Federal tax and tax advantage are calculated on RMC only using the standard deduction for the dependents data shown based on the 1976 laws including the new negative income tax feature. Actual payments average about 20% higher. The social security tax is based on the 1977 tax rate of 5.85% of the first \$16,500.

11. Benefits.

- A. Military Estate Benefits - Composed of retirement, the government's contribution to old age and survivors insurance (social security), and "other". The "other" category includes the survivor benefit plan (SBP) dependency and indemnity compensation (DIC), and death gratuity.

Retirement - Calculations are based on the current retirement system without the "1% kicker", which was eliminated from the CPI adjustment mechanism in 1976. The present value of the contingent future benefit is estimated using the aggregate age entry normal actuarial technique. It represents the amount that would have to be placed into an interest-bearing fund in order to cover the retired costs of those who ultimately do retire. Economic assumptions are discussed separately. These values represent 26.7% of enlisted basic pay and 26.4% of officer basic pay. Under the DoD Retirement Modernization Act proposal of FY 1976, the figures would be 21.9% and 22.3%, respectively.

Social Security - The government contribution to old age and survivors insurance is based on the 1977 rate of 4.95% of basic pay up to \$16,500. The remainder of the Social Security Tax is for the Medicare program.

Survivor Benefit Plan--Estimated in same way as retirement. The values are 1.3% of basic pay for officers and 0.5% for enlisted personnel.

D.I.C.--Estimated cost of a one year term insurance premium to provide the protection provided by this program. The program is funded by V.A.

Death Gratuity--The per capita cost of death gratuity is \$4.00 and \$7.50 per year for enlisted and officers, respectively.

8. Medical Care - Composed of current care while on active duty and estimated present value of contingent future benefit received after retirement. The estimate included in the comparison base is the lower end of a range of estimates of compensation value, represented by a Health Maintenance Organizations (HMO) premium, based on the costs of providing health care to military beneficiaries. This recognizes that military personnel, particularly younger enlisted and officer personnel would not, given the choice, purchase the full level of benefit specified in the military health care system. The value above that level is included in the institutional benefit package representing the differences between military service and civilian employment.

Current Benefit--Two rates are used: \$188 for single and \$352 for married personnel.

Deferred Benefit--This benefit is fully earned as a result of 20 years of active military service. Care is provided from military facilities and CHAMPUS (or MEDICARE after the retired member reaches the age of 65). The present value of the accrual, including the MEDICARE coverage, on a per capita basis is \$158 for those with less than 20 years' service. Those with over 20 years of service earn no more present value.

Absences - Composed of annual leave taken, holidays, and medical absence authorized. Calculated as 9.9% of RMC.

- D. Economic Assumptions - Estimating present values for the deferred benefits requires the projection of interest or discount rates, pay growth and inflation many decades into the future. These calculations were based on an interest rate of 6%, pay growth of 3% and 4% inflation, a set of assumptions used in the Board of Actuaries of the Civil Service Retirement System Fifty-Second Annual Report to estimate the cost of the civil service retirement benefit. Estimates of present value are highly sensitive to these assumptions. For example, the civil service retirement benefit is often quoted as being worth 7% of salary. That estimate is based on an interest rate of 5% with no pay growth or inflation. Under the assumptions used above, the same benefit net of employee contribution is worth 17% to 18% of salary.

## DOCTOR RETENTION IN SERVICE

Senator Young. What are the individual services -- Army, Navy, and Air Force -- experiencing in the retention of doctors under the present assignment and pay scales? Please provide for the record the same information for the past five years.

Dr. Smith. The data requested are not available on a comparable basis for a full five years. The best available comparable data on two measures of medical officer behavior are included in the attached tables. These two measures, the retention rate and the continuation rate, are also used in other sections of the Department of Defense to measure the effect of other special pays. The retention rate is defined as the number staying who have a choice (that is, who are eligible to leave), divided by the number eligible to leave. This is the usual criterion of the effectiveness of a bonus program. The continuation rate is defined as the total number staying divided by the total force. The continuation rate will always be greater than (or equal to) the retention rate because it includes in both the numerator and the denominator any people who have no choice but to remain on active duty, while the retention rate excludes from the numerator and the denominator this group.

There are three periods with comparable data which can be used in the analysis of the effects of VIP. The period used to show the effects after VIP was passed is 1 October 1974 through 30 September 1975. This is the first year of experience with full implementation of the VIP system. The time from when VIP was passed in May of 1974 through the end of July 1974 had no implementation of VIP, and from the end of July through the end of September 1974 had implementation only at the same level and with the same eligibility rules as previously pertained to Continuation Pay. Thus October 1974 was the first month with full VIP experience and that month through the end of September 1975 is the first full year of VIP experience. Without VIP, data are available on FY 1973 and FY 1974, although no comparable figures for the Navy are available for FY 1973, nor are comparable Navy retention data available in either FY 1973 or FY 1974.

Retention Rates  
(October 1974 - September 1975)

| <u>Years of<br/>Active Duty</u> | <u>Army</u> | <u>Navy</u> | <u>Air Force</u> | <u>DoD</u> |
|---------------------------------|-------------|-------------|------------------|------------|
| 3                               | .266        | .128        | .114             | .173       |
| 4-5                             | .550        | .527        | .509             | .536       |
| 6-10                            | .766        | .674        | .851             | .757       |
| 11-20                           | .950        | .935        | .953             | .946       |
| 21+                             | .774        | .795        | .746             | .775       |

Retention Rates  
(To 3rd Year)

| <u>Service</u> | <u>FY 1973<br/>Actual</u> | <u>FY 1974<br/>Actual</u> | <u>Oct 74 - Sep 75</u> |
|----------------|---------------------------|---------------------------|------------------------|
| Army           | .158                      | .132                      | .266                   |
| Air Force      | .018                      | .015                      | .114                   |

DoD  
Continuation Rates

| <u>Years of<br/>Active Duty</u> | <u>FY 1973<br/>Actual</u> | <u>FY 1974<br/>Actual</u> | <u>Oct 74 - Sep 75</u> |
|---------------------------------|---------------------------|---------------------------|------------------------|
| 1-2                             | -                         | .969                      | .978                   |
| 3                               | -                         | .196                      | .248                   |
| 4-5                             | -                         | .719                      | .764                   |
| 6-10                            | -                         | .840                      | .866                   |
| 11-20                           | -                         | .924                      | .951                   |
| 21+                             | -                         | .691                      | .777                   |

Army  
Continuation Rates

| <u>Years of<br/>Active Duty</u> | <u>FY 1973<br/>Actual</u> | <u>FY 1974<br/>Actual</u> | <u>Oct 74 - Sep 75</u> |
|---------------------------------|---------------------------|---------------------------|------------------------|
| 1-2                             | .972                      | .969                      | .978                   |
| 3                               | .280                      | .224                      | .343                   |
| 4-5                             | .577                      | .738                      | .734                   |
| 6-10                            | .831                      | .837                      | .843                   |
| 11-20                           | .922                      | .921                      | .953                   |
| 21+                             | .750                      | .690                      | .774                   |

Navy  
Continuation Rates

| <u>Years of<br/>Active Duty</u> | <u>FY 1973<br/>Actual</u> | <u>FY 1974<br/>Actual</u> | <u>Oct 74-Sep 75</u> |
|---------------------------------|---------------------------|---------------------------|----------------------|
| 1-2                             | -                         | .967                      | .967                 |
| 3                               | -                         | .207                      | .235                 |
| 4-5                             | -                         | .690                      | .808                 |
| 6-10                            | -                         | .836                      | .850                 |
| 11-20                           | -                         | .925                      | .942                 |
| 21+                             | -                         | .692                      | .800                 |

Air Force  
Continuation Rates

| <u>Years of<br/>Active Duty</u> | <u>FY 1973<br/>Actual</u> | <u>FY 1974<br/>Actual</u> | <u>Oct 74-Sep 75</u> |
|---------------------------------|---------------------------|---------------------------|----------------------|
| 1-2                             | .962                      | .971                      | .989                 |
| 3                               | .122                      | .145                      | .154                 |
| 4-5                             | .674                      | .737                      | .756                 |
| 6-10                            | .878                      | .851                      | .928                 |
| 11-20                           | .927                      | .927                      | .960                 |
| 21+                             | .728                      | .692                      | .748                 |

## CIVILIAN DOCTOR INCOME

Senator Young. What are the American Medical Association figures on annual income and cumulative income of civilian doctors?

Dr. Smith. The following table is based on the most recent American Medical Association income data (1974) updated by 6.5% annually through 1977.

Average Physician Income By Specialty

| Age          | General Practice | Internal Medicine | Surgery | Obstetrics-Gynecology | Pediatrics | Psychiatry | Other Specialties |
|--------------|------------------|-------------------|---------|-----------------------|------------|------------|-------------------|
| Total        | 52,814           | 61,756            | 72,664  | 70,587                | 52,452     | 48,266     | 68,499            |
| 15 and under | 65,203           | 49,440            | 55,717  | 67,472                | 57,625     | 52,502     | 49,755            |
| 16-40        | 59,605           | 65,119            | 76,754  | 73,708                | 59,050     | 45,477     | 71,256            |
| 41-45        | 61,510           | 74,468            | 81,451  | 79,285                | 62,411     | 55,955     | 77,090            |
| 46-50        | 65,308           | 75,597            | 85,060  | 82,710                | 52,655     | 51,427     | 78,456            |
| 51-60        | 53,758           | 60,974            | 78,654  | 69,550                | 52,571     | 48,958     | 75,519            |
| 61 and over  | 37,091           | 49,644            | 52,941  | 44,426                | 40,570     | 36,653     | 49,656            |

## PHYSICIANS' NET INCOME

Net income from medical practice is determined by the utilization of physicians' services (visits), fees charged and expenses incurred in delivering these services. These determinants have been explored in the previous three subsections. This subsection will describe the levels and variations of physicians net income for 1972, 1973 and 1974 (estimated) by specialty, location, census division, type of practice and age of the physician.

In 1974, estimated net income averaged \$51,224 and ranged from an average of \$39,997 for psychiatry to \$60,031 for surgery. Comparing incomes across areas of varying size of population, one finds estimated 1974 average incomes for all physicians of \$50,380 (non-metropolitan), \$53,520 (metropolitan, 50 to 999 thousand population), and \$49,964 (metropolitan, greater than one million population).

Comparisons by type of practice indicate that solo physicians in general have the lowest average incomes (\$47,229 in 1974), while physicians in two man groups earn the highest incomes (\$61,306). Income ranks for type of practice change when one standardizes for location.

Average physicians' incomes also vary with the age of the physician. For all the specialties listed average income of the age class 51-60 is less than the age class 46-50; average income continues to decline after 61 years.

Source: Profile of Medical Practice 1975-1976 Edition, Center for Health Services Research and Development, American Medical Association.

Based on an average of the above income estimates an individual who graduated from medical school at the age of 26, completed a one year internship and a three year residency then continued working until retirement at age 65 would have the following cumulative income.

## 1974 PHYSICIANS CUMULATIVE INCOME

| Attained Age | Years of Practice | Cumulative Income |
|--------------|-------------------|-------------------|
| 36           | 10                | \$772,972         |
| 46           | 20                | 935,403           |
| 56           | 30                | 1,717,727         |
| 60           | 34                | 1,968,999         |
| 65           | 39                | 2,191,114         |

#### MEDICAL SCHOOL BILLETS

Senator Young. What is the total number of medical student billets in the United States?

Doctor Smith. The 76th Annual Report of the American Medical Association reflects 56,244 billets in the 1975-1976 school year.

#### MEDICAL SCHOOL APPLICATIONS

Senator Young. How many applications are received annually to enter medical schools in the United States? Compare this with the number of students admitted annually to the medical schools in the United States.

Doctor Smith. The 76th Annual Report of the American Medical Association reflects for the 1975-1976 school year 42,503 applicants of which 15,365 were accepted to medical schools.

#### AMERICAN MEDICAL STUDENTS IN MEXICO

Senator Young. How many American medical students are going to medical school in Mexico?

Doctor Smith. The Health Resources Agency, Department of Health, Education and Welfare, estimates that there are approximately 3,000 American students going to medical school in Mexico.

#### AMERICAN MEDICAL STUDENTS OUTSIDE U.S.

Senator Young. How many medical students are estimated to be going to medical schools outside the United States, less Mexico?

Doctor Smith. The Department of Health, Education and Welfare estimates that there are approximately 3,000 American medical students, excluding Mexico, outside the United States.

Senator Young. Will the present students of the Uniformed Services University of Health Sciences deduct available spaces in medical schools for newly applying students to those schools?

Doctor Smith. The students of the Uniformed Services University of the Health Sciences will be placed at the second year level; and therefore, should not deduct available space from newly applied students.

#### NUMBER OF MEDICAL SCHOOLS IN UNITED STATES

Senator Young. Has the number of medical colleges or schools in the United States increased or decreased over the last five years?

Doctor Smith. The number of medical schools has increased from 108 in school year 1971-1972 to 112 last fall.

Senator Young. Have the student billets in the medical schools in the United States increased or decreased over the past five years?

Doctor Smith. Student billets in medical school has increased from 43,650 in 1971-1972 school year to 56,244 in the 1975-1976 school year.

#### USUHS COSTS

Senator Young. How much has been spent on the Uniformed Services University of Health Sciences for construction, contracting for staff and other services and support requirements to date? What would be the termination costs for the items mentioned above?

Doctor Smith. The following Financial Summary reflects the current status of USUHS obligations and outlays for all appropriations. Termination costs will not be available until a detailed plan is completed in early April. The information will be provided to the Committee as soon as an approved plan is available.

#### Uniformed Services University of the Health Sciences

##### Financial Summary (\$000)

| <u>Funds Programmed</u> | <u>FY 1973</u> | <u>FY 1975</u> | <u>FY 1976</u> | <u>FY 1977</u> | <u>FY 1977</u> | <u>FY 1978*</u> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| O&M                     | --             | --             | 1,581          | 1,262          | 5,627          | 9,500           |
| Procurement             | --             | 500            | 1,000          | --             | 560            | 1,300           |
| RDT&E                   | --             | --             | --             | --             | 750            | 900             |
| Mil Construction        | 1,900          | 18,700         | 64,900         | --             | --             | --              |
| Mil Pers Expenses       | --             | --             | 150            | 96             | 1,510          | 2,966           |
| TOTAL                   | 1,900          | 19,200         | 67,631         | 1,358          | 8,447          | 14,666          |

\* FY 1978 Budget Amendment deleted \$14.1 million; Balance of 5.6 million relates to the cost of continuing the education of the 32 students.

#### Obligations (End Feb 1977)

|                               |         |        |        |       |       |    |
|-------------------------------|---------|--------|--------|-------|-------|----|
| O&M                           | --      | --     | 1,288  | 1,254 | 1,645 | -- |
| Procurement                   | --      | 422    | 989    | --    | 423   | -- |
| RDT&E                         | --      | --     | --     | --    | 487   | -- |
|                               | (FY 74) |        |        |       |       |    |
| Mil Construction (End Jan 77) | 1,119   | 12,536 | 47,691 | 1,542 | 2,954 | -- |
| Mil Pers Expenses             | --      | --     | 150    | 96    | 625   | -- |
| TOTAL                         | 1,119   | 12,958 | 50,118 | 2,892 | 6,134 | -- |

#### Outlays (End Feb 77)

|                               |    |       |       |       |       |    |
|-------------------------------|----|-------|-------|-------|-------|----|
| O&M                           | -- | --    | 1,134 | 727   | 500   | -- |
| Procurement                   | -- | 189   | 818   | --    | 13    | -- |
| RDT&E                         | -- | --    | --    | --    | 102   | -- |
| Mil Construction (End Jan 77) | -- | 3,041 | 5,109 | 3,883 | 7,653 | -- |
| Mil Pers Expenses             | -- | --    | 150   | 96    | 625   | -- |
| TOTAL                         | -- | 3,230 | 7,211 | 4,706 | 8,893 | -- |

NOTE: Military Construction Obligations/Outlay reflect Fiscal Year in which reported

## INCREMENT II

Senator Young: What happens to the hole and foundation that is out at Bethesda Naval Hospital?

Doctor Smith: The decision on what to do with Increment II has not been made. Four alternatives are being evaluated from an economic standpoint. These include the following:

1. Return the Increment II area to its condition prior to the start of construction.
2. Complete Increment II to the plaza level providing a garage facility.
3. Complete Increment II as a shell of a building for future occupancy.
4. Complete Increment II as contracted for future occupancy.

The decision on this matter is expected in April 1977.

## QUESTIONS SUBMITTED BY SENATOR STEVENS

Senator Young. Senator Stevens, who could not be here today, has some questions which he would like to submit and have answered for the record.

Chairman McCLELLAN. They will be inserted at this point in the record.

[The questions and answers follow:]

## GAO STUDY

Senator STEVENS. Your statement cites the GAO analysis of the University which showed that the University Program would cost \$4,800 per student/per year more than the scholarship program. Did the GAO include in the cost of the scholarship program funds made available to medical schools through other Federal agencies such as the Department of Health, Education and Welfare?

Dr. SMITH. The original GAO Report, dated May 5, 1976, did not include Federal contributions/subsidies to civilian medical schools because such contributions are made available to civilian medical schools for reasons totally unrelated to the Scholarship Program and are likely to continue regardless of whether the program continues or a DOD medical school is established. At the request of Mr. Price, the GAO adjusted their calculations in a letter to Mr. Price, dated June 15, 1976, to include Federal subsidies as a cost of the Scholarship Program. However, the GAO maintained their original position that such costs were inappropriate to the analysis. The Department is in agreement with the GAO.

## MANDATORY SERVICE PERIOD

Senator STEVENS. As I recall, the mandatory service period was to be longer for those attending the University than for the scholarship students. Is that correct?

Dr. SMITH. Yes, sir, the obligation for University students is 7 years and the scholarship student is normally obligated for 4 years.

Senator STEVENS. Have you computed the cost savings to the Department associated with this longer service obligation?

Dr. SMITH. The GAO considered the longer service obligation of USUHS graduates in their analysis of the cost per staff year of expected service for the two programs being compared.

Senator STEVENS. The Department also told us last year that once a doctor had served either 7 or 9 years, I do not recall the exact number, that the chances for his remaining in the service until retirement were greatly increased. Do you still consider that to be the case?

Dr. SMITH. Yes; I think I would agree. Our continuation experience is that once a military physician has served 7 to 9 years of active duty the probability of remaining until retirement is very high—around 50 to 60 percent.

## OPERATING AND MAINTENANCE COSTS

Senator STEVENS. You have indicated that the facility may be turned over to the National Institutes of Health or used for other DOD requirements in this area. Part of the justification for terminating the University is the annual operating and maintenance costs estimated at \$20-30 million a year. It sounds as if it is still going to be a Federal facility so the operation costs will still be charged to the taxpayer regardless of which agency actually controls the building, won't they?

Dr. SMITH. The annual cost of maintenance and operation to operate the facility as a university includes all the costs of manpower, training, and operation of the facility as a university. These costs are then related to the output which is the trained physician. Different occupants will have different manning and other expenses which will be related to their product. Our decision is based upon the cost to the government of producing a physician for the military in the university and the comparison of that figure with costs of other alternatives. The same type of comparison as to the cost to the government of which every occupant is selected must be made.

## UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES

STATEMENT OF HON. DAVID PACKARD, CHAIRMAN OF THE BOARD  
OF REGENTS AND ACTING PRESIDENT, UNIFORMED SERVICES  
UNIVERSITY OF THE HEALTH SCIENCES

## ACCOMPANIED BY:

ANTHONY R. CURRERI, M.D., D. Sc., PRESIDENT, UNIFORMED  
SERVICES UNIVERSITY OF THE HEALTH SCIENCESJ. SANFORD, M.D., DEAN, UNIFORMED SERVICES UNIVERSITY  
OF THE HEALTH SCIENCES

## PREPARED STATEMENT

Chairman McCLELLAN. All right, thank you very much, gentlemen. We will now proceed to hear Mr. Packard. We are glad to see you and we welcome you again.

Mr. PACKARD. Thank you very much. I am pleased to be here.

Chairman McCLELLAN. Mr. Packard is former Deputy Secretary of Defense.

Mr. PACKARD. With your permission I would like to ask Dr. Curreri to join me, and Dr. J. Sanford to join me. Dr. Sanford is the dean of the school and Dr. Curreri, as you know, is the president.

Chairman McCLELLAN. Fine.

Mr. PACKARD. Mr. Chairman, I will not take time to read my statement.

Chairman McCLELLAN. It then will be received and inserted in the record in full at this point.

[The statement follows:]

## STATEMENT OF DAVID PACKARD

Mr. Chairman, and members of the Committee, I am David Packard, Chairman of the Board of Regents of the Uniformed Services University of the Health Sciences. As you know, the Congress founded the University and directed that "the business of the University shall be conducted by a Board of Regents". I am happy to have the opportunity to appear before you to report on the University.

The Board of Regents is proud to report that the University is a going concern. We have met every requirement directed by the Congress. An exceptionally strong senior faculty has been recruited and outstanding men and women are applying for future positions. An extraordinarily bright and dedicated Charter Class is hard at work learning medicine. The University has received its appropriate accreditation. The buildings are on schedule. Mr. Chairman, I wish that my time could be spent telling you about all the exciting work that is going on. Unfortunately, I must talk about a very different issue.

The Secretary of Defense made a decision in February of this year to close the University. He made that decision in order to reduce the costs of operating the Department of Defense. Now, I have considerable sympathy for Secretary Brown; I have had some experience myself in trying to reduce Defense costs. However, in the case of the University, I must respectfully disagree with the Secretary of Defense. It is my purpose today to review cost and benefit information which I hope will persuade you to keep the University open, and I want to discuss some of the considerations which were not adequately taken into account when the decision was made by the Secretary.

Let me begin with construction costs. The Congress - after very careful review and analysis of the need for the University - decided to found the school and appropriated \$85 million for the buildings. The University has had fine support from the Naval Facilities Engineering Command who secured excellent contracts for us. We are going to bring

those buildings in for a little over \$72 million with a savings of \$13 million from the appropriation.

The construction timetable is on schedule. I might note that in the early planning for the University, additional buildings were programmed. The Board of Regents, which keeps a very close eye on the school and which meets monthly to review progress, decided in February 1976 that additional programs and buildings were not justified at this time and requested the Congress to delete \$9 million from the FY 77 budget, which was done. We now have one building almost finished, and another one nearly 20 percent complete. The Department of Defense has proposed to give these buildings away, but no one has come to the Congress or the Board of Regents to tell you or us who is to get them. Nor have we heard of any plans to permit the Congress to review the costs and benefits of the programs which these new owners would propose for the buildings. Since those buildings were specifically designed to be a medical school, I am sure that it will cost the taxpayers a good bit of money for remodeling. No one has told the Congress or the Board of Regents what those costs might be. There have been some rough estimates that the building costs would come to over \$40 million if the project is shut down today. I believe it will be more, possibly as much as \$60 million, to close the project down and settle all claims - as compared to the \$72 million which is all both completed buildings will cost. In short, I believe the Department of Defense has failed to do its homework on the closing and construction costs and I predict that a lot of tax dollars are going to be wasted if the University is closed.

Let me now turn to the costs of operating the school and of producing military medical officers. There were a number of careful cost-effectiveness studies done in 1974, 1975, and 1976. The Board of Regents has reviewed all of these. In my opinion as a businessman, the two General Accounting Office studies of May and June, 1976 are not only the most recent, but are the most complete and carefully done. The Board of Regents has

generally accepted the cost data in these two studies with one major reservation: Congressman Price asked the GAO for the total cost to the taxpayer of the DoD Scholarship program. The GAO reported that an extra \$10,624 of Federal support should be added to the Scholarship program, which would make scholarship students cost more than University graduates. The GAO said that it was not proper to add these costs since the Department of Health, Education and Welfare would have to pay them anyway. However, I believe that the taxpayer and the Congress are providing money to HEW to pay for physicians for the civilian community, not for the Department of Defense. In manufacturing, when one is producing several different items in a plant, investment costs are assigned or apportioned to each product; it is the only way that one can determine true costs so that accurate sales pricing can be done. Since the DoD scholarship program is designed to produce a physician for DoD, in my view it is fair to charge these costs to DoD - I would even go so far as to suggest that Secretary Califano ought to ask Secretary Brown for some or all of that \$10,624 per scholarship student! I think it is important to mention that scholarship costs are going to increase; medical school tuitions have increased an average of 60 percent in the past five years, and are still increasing. The Congress, the Department of Defense and the Board of Regents can control the costs of the University; we have no such capability for civilian medical school costs.

There are other aspects of the Secretary of Defense's decision that concern me. The men and women in our volunteer Armed Forces have repeatedly put medical care very high on their list of reasons for joining and remaining in the Armed Forces. The Congress has been a strong supporter of the military medical departments. It is clear that the Congress intends to provide quality medical care to military people and their dependents.

The Secretary of Defense said that he could get enough physicians for the Department of Defense from the Scholarship program and by

recruiting volunteers. I am sure he was not aware of the increasing number of foreign medical graduates that the Surgeons General have had to recruit while trying to meet - without success so far - their physician shortages. I am sure he was not aware that to replace the 175 graduates of the school will require over 1500 additional scholarships - for which he would have to come to the Congress for authorization and more money. I am sure he was not aware of the ethical and contractual commitments his Department had made to University faculty and students. I am sure he was not aware how difficult it will be to transfer our students to other medical schools. I am sure he was not aware that over 2400 young men and women have applied for the 68 spaces in the class due to start this September. I am sure he was not aware of the problems the Department of Defense is having in keeping young physicians in the active Reserve for mobilization requirements. I am sure he was not aware that the new Health Professions Education Assistance Act of 1976 will markedly reduce the number of foreign medical graduates available for recruitment and will provide an HEW scholarship program that is more attractive than the DoD Scholarships. I am sure he was not aware that 185 medical and scientific officers of the Army, Navy, Air Force, and Public Health Service, and 40 Federal civilian physicians and scientists have already accepted joint teaching appointments to the University - at no extra salary cost to the Department of Defense. I know the Secretary of Defense was not aware of the GAO studies showing that the University and the Scholarship program have essentially equal costs.

I believe that if the Secretary of Defense had had all these facts available to him, that he would not have decided to close the school.

Let me now turn to some points that all the cost-effectiveness studies have not addressed - the benefits that the University will provide the Department of Defense. The GAO analysts recognized these benefits, but since dollars could not be credited to them, the analysts could not consider them.

The University provides a unique medical education. In addition to giving the students a first-class general medical education, it uses the extra six months in the program to provide an excellent foundation in military medicine. University graduates will get a special education in medical staff and command operations in peace and war; in medical defense against nuclear, chemical and biological war; in tropical medicine and parasitology; in military preventive and environmental medicine; in aviation and submarine medicine; in wound ballistics and mass casualty management and in all the other unique aspects of medical care of our Armed Forces in war and peace. Dr. Smith told the Congress last week that keeping doctors in the military depends on giving them a "sense of mission" about the military. That is exactly what the University will provide.

The University is already regarded by the career physicians now on active duty as "their" school. They have volunteered for its faculty, they are excited about teaching its students, and they regard it as their center for academic excellence. For this group of skilled and scarce people closing the school means that the Department of Defense has broken faith, ruptured a contract, and in effect told them it has no need for their dedication. Closing the University is certain to lose the Department of Defense the services of many of its best medical officers.

The superb Federal clinical, research and educational facilities in Washington have accepted the University students with open arms. The students are already seeing patients at Walter Reed, Bethesda, and Malcolm Grow hospitals. Students are doing projects at the National Library of Medicine. The Congress recognized the educational potential of these institutions - they are already vital parts of the University.

The University - as a center of academic excellence - will be training military medical scientists for the masters and doctors degrees. The Department of Defense now sends its young Medical Service Corps and

Basic Science Corps officers to civilian universities to get their degrees in bacteriology, parasitology, chemistry, and the other sciences allied to medicine and required by the military departments to support patient care and medical research. The University will provide a military relevant, problem-focused education in these sciences and train another cadre of long service officers for the Armed Forces.

The University clinical faculty, both military and civilian, will add to the patient care staff of the medical departments. As an indispensable part of their teaching of medical students, interns and residents, they will provide an additional resource to the Department of Defense for consultation and medical service. You gentlemen in the Congress are already quite aware of the excellent care you get when you go to Walter Reed, Bethesda, or Malcolm Grow hospitals. You know many of the University faculty, who now serve at their hospitals. I can assure you that the Board of Regents has selected and will continue to select only the most highly qualified men and women for the faculty - and we have had no dearth of applicants! It is this faculty to whom the military medical departments will turn to teach the programs in continuing medical education for active duty physicians. You gentlemen are well aware that more and more states are requiring evidence of continued professional growth and knowledge for renewal of licenses to practice medicine. Both at the school and on consultant visits, the University faculty will provide a significant portion of those requirements for military physicians all over the world.

Finally, at a time when the State of New York is paying to send its residents to school in Israel, and when civilian medical schools receive 40 percent of their support from state and private funds, it does not seem to me either just or equitable that the Department of Defense should depend any longer on the civilian sector to be the exclusive source of the physicians in the Armed Forces. I believe it is at last time that the Department of Defense begin to carry its share of the load and be a positive contributor to our nation's health manpower pool.

In summary, gentlemen, I cannot too strongly urge you and the other members of the Congress to continue to support and finance the University that the Congress founded. If you will permit a personal note, I am no stranger to the "bottom line". I know the University to be an efficient, cost-effective operation with intangible benefits that cannot be obtained any other way. Investment in the University is identical to your investments in capital ships and other systems that you intend to be long term contributions to our national defense. The graduates of the University will be the "core of the Corps", the essential cadre for mobilization in war and for service and training in peace.

I would like to place on the record a statement by Dr. Charles Odegaard, a member of the Board of Regents and - as president emeritus of the University of Washington, a distinguished medical educator. Let me take a minute to read just a few of his wise observations.

I hope that your decision will be not only favorable but as rapid as your deliberative process will allow. Right now we are in limbo. We cannot admit a next class. We cannot recruit faculty. Our present faculty is asking if they should seek jobs elsewhere. We cannot purchase supplies and equipment for next year's program. We have been told to prepare a plan to close down. If we are to stay open, we must tell our student applicants and faculty recruits by mid-April and we must move quickly to make up for our lost time.

Gentlemen, I know the House Armed Services Committee has put us back in the budget on no uncertain terms. The Board of Regents places the preservation of the University in your hands, trusting that you will support the University and that you will see to it that a dedicated faculty and student body and the committed military physicians now on active duty will once again know that the Congress is determined to keep the faith with them.

Mr. Chairman and members of the Subcommittee, I would be honored to answer your questions.

## PREPARED STATEMENT

Mr. PACKARD. And I would like you to note that I have included a statement from Dr. Odegaard who has been one of our regents since the beginning of this program in 1973, and who has a great deal of knowledge about some of the nonfinancial aspects.

Chairman McCLELLAN. Dr. Odegaard's statement will also be received and printed in the record at this point.

[The statement follows:]

## STATEMENT OF CHARLES E. ODEGAARD

I regard the recent decision of the Secretary of Defense to terminate the Uniformed Services University of the Health Sciences as unwise and contrary to the persistent and long-range needs of the military services of the United States. The criticisms of the Uniformed Services University which are reflected in the Secretary's comments in support of his decision appear to be those of the Defense Manpower Commission and the General Accounting Office which have focused on costs of educating medical students in the USUHS, presumably in contrast with lower costs for each military physician who is given a scholarship to be trained in a civilian school. There are costs to the federal government for such civilian-educated physicians apart from the costs to the Department of Defense for scholarships. These have been persistently ignored by critics. When these factors are considered, the costs prove comparable as revealed in the cost analysis provided by the USUHS. There is also the matter of greater longevity of subsequent obligatory service in the military in the USUHS program.

I would like in particular to call attention to another aspect of the problem, which has been persistently ignored in these allegedly cost-effective criticisms, namely the need to build within the military medical services a corps of officers who will serve longer terms in the military and provide the leadership and administrative framework within which a portion of short-term physicians can be inserted. The military medical services need not just a corps of competent physicians, but within the corps a nucleus of competent physicians who are also personally committed to the special purposes of the military, the special needs of the military, and to the personally demanding institutionally structured way of life of the military, to the point where they will dedicate a substantial portion or all of their professional lives to the roles of military physicians.

Over the past fifteen years I have served in a series of assignments to publicly and privately sponsored commissions and committees having to do with medical education and the delivery of medical services to the American people. In the past two years I have conducted a study shortly to be published on minorities in medicine which led me through much of the recent literature on medical education and as a visitor to some forty medical schools. I am forced to conclude that it is folly to think of our civilian medical schools as presently functioning as a major source for physicians committed to the special obligations of military medicine and to long-term service in the military. We have troubles enough as a nation relating the professional goals of present day physicians to growing public expectations of more institutionalized medical delivery systems for civilians.

The influence of models on the development of student values and their adoption of particular lifestyles is enormous. This is particularly true of professional education, and especially so in the rigorous and long apprenticeship program in medicine in which students learn from practicing masters, who not only teach students their elaborate skills but also inculcate in large measure their own attitudes, concepts of medical practice, and way of life. Physicians who serve in the military medical corps, however, serve under distinctive circumstances and incur special obligations radically different from those in civilian practice. Whether compelled by the draft or by financial pressure in their earlier years of professional development, many physicians have served in the military, but often for the shortest possible time and have emerged with negative attitudes toward military medicine for which their civilian schooling rarely provided sympathetic preparation.

Where are the models in civilian medical schools for medicine as it must be practiced in, and meet the special requirements of, the military? Improved financial arrangements may help for the moment in recruitment, especially in view of the present disarray over medical malpractice in the civilian sector which may increase the chances for immediate recruiting of more physicians for the military. But are these bases for long-term commitments to military services? I doubt it.

The critics have elected to ignore this whole matter of personal commitment to military medicine as a requisite for those who will provide the long-term nucleus of military physicians. For a number of young persons to be won over each year to probable commitment to long-term service in the military, the nation needs, as a variant to the offerings of civilian medical schools, a medical school in which young people can see in action as respected role models committed military physicians actively engaged in medical education intended to prepare these students for service in military medicine. The Regents have clearly had in mind the fact that the educational program of the USUHS must involve distinctive elements related to the military that distinguish it from schools organized to develop physicians primarily for the civilian health sector. It is a school for this special purpose, in support of the military, which the administration now proposes to terminate.

There are additional fringe benefits from the existence of a Uniformed Services University of the Health Sciences. Some military physicians will regard the opportunity to participate in tours of duty linked more completely with participation in medical education and research as an additional inducement to continue longer term service in the medical corps. The University can mobilize research and teaching about certain specialties in medicine significant for the military but largely neglected by civilian schools, such as tropical medicine, special environmental medicine, trauma, and large scale casualty management. Military physicians are already involved in more complex medical delivery systems built on collaborative relationships among health professionals than have evolved in the civilian sector. The University was expected to embrace programs in the health sciences generally and could be a significant contributor to research and teaching about systems development helpful in the first instance to the military, but very possibly also a source of ideas for civilian health delivery so much in need of improvement.

These matters are relevant to a decision on the USUHS. I believe that the reported decision cannot fail to affect adversely the quality of the medical services that will be available to meet the needs of the military establishment upon which the United States must rely for security in this dangerous world.

#### COMMENTS BY MR. PACKARD

Mr. PACKARD. Now, I would like to begin and make some comments on what I think is a very important point, and which I think there has been, unfortunately, some misinformation.

The Secretary, Secretary Brown, when he made this decision, I am quite sure did not really understand a number of things about this program.

Chairman McCLELLAN. You think Secretary Brown made the decision and recommended it to the President? Is that your understanding?

Mr. PACKARD. Well, I don't—he signed the decision and there are two points that I would like to make here which are very important.

Chairman McCLELLAN. All right.

Mr. PACKARD. At that point in the press conference that followed, he made some comment about a possible saving of \$100 million in the building program. I think you have heard from the testimony this morning, and I would generally concur with that, that there are very

marginal savings to be had, if any savings at all, in the building program, and I would like to talk about that a little bit further.

Chairman McCLELLAN. That is if the building program is stopped now?

Mr. PACKARD. If you stopped the program now. You will not save any significant amount of money, and I will talk about that in a little more detail.

The other, and what I think is a very important aspect of this, and this was talked about today, this is the PBD, the program budget decision on which this particular decision was made. These come up with quite often several alternatives, and when I was over at the Pentagon I signed, I guess, thousands of these in the time I was there. There was a comment made that the Ford administration opposed this. That is not so. President Ford supported the program. He came over and helped me at the groundbreaking. What happened is toward the last end of his administration a recommendation came over from the Office of Management and Budget in which one of the alternatives was to take the program out and that program was not supported by the Ford administration.

So I think that ought to be in the record.

Now, the other aspect of this is most important. That PBD essentially stated that the saving to the Defense Department would be \$28.91 million in 1982. This is the same figure that essentially Dr. Smith gave you earlier, the figure that was referred to by Senator Ford as being about \$30 million. What they failed to do is to include the cost of the scholarships which would be needed to take the place of these students who would be cut out of the university program, and those costs, in my lined estimates, are a minimum of \$12 million if you include only the Defense Department costs. If you include the costs to the Government otherwise, they would come up to \$24 million, and that does not include any allowances for the possible increase in tuition costs that are likely to occur, among other factors.

And I think, Mr. Chairman, if you look at these figures carefully, you will find that there is indeed no savings of any substance, and in fact, it may actually cost more to go the scholarship route than to go the university route. And I think it is very important for you to have these figures, and I would be glad to go over them with you in more detail.

#### SUPPORTING STATEMENT

Chairman McCLELLAN. Very well. Let me suggest that you submit for the record the same kind of statement supporting your view that I have requested of Dr. Smith, supporting the administration's view, so that we can make comparisons.

Mr. PACKARD. I will.

[The information follows:]

Mr. Chairman, pursuant to the Committee's request, the following statement is provided concerning economic aspects of the Uniformed Services University of the Health Sciences program.

COMPARISON WITH THE SCHOLARSHIP PROGRAM

|                                        | <u>Scholarship</u> | <u>University</u> |
|----------------------------------------|--------------------|-------------------|
| Total Federal Costs                    | \$32,068           | \$26,236          |
| Total DoD Costs                        | \$21,444           | \$26,236          |
| Annual Number of Graduates             | 988                | 175               |
| Obligation Upon Graduation             | 4 years            | 7 years           |
| Average Number of Years on Active Duty | 7.6 years          | 16.2 years        |

In June, 1976, the General Accounting Office (GAO), analyzed the total Federal costs of the University and the Scholarship Programs. The two programs were compared on a cost per year of service basis. To say it another way, all costs, including education, pay and allowances, bonus pay, retirement, construction, and research, were calculated and amortized over the period of expected active duty service. Based on this unit of measurement, the Scholarship cost was determined to be \$32,068 per year of service compared to \$26,236 for the University. The figure of \$21,444 for the Scholarship Program represents only Department of Defense costs and excludes all other Federal support such as that received from HEW and VA. It comes as no surprise that the Scholarship Program is 22 percent less expensive to the Defense Department inasmuch as the major expense to educate a doctor is borne by other Federal Departments, State and local Governments, and private contributions. According to the December, 1976, issue of the JOURNAL OF THE AMERICAN MEDICAL ASSOCIATION, civilian medical schools receive 40 percent of their financial support from the Federal Government and 40 percent from State Governments. The University program would become more cost effective to the Defense Department if construction, capitation, research, and faculty support funds were solicited from HEW and VA. Because

the University graduate will most benefit Defense, other Federal Departments and State Governments should not be required to share in the expense.

CONSTRUCTION PROGRAM  
(In Millions)

|                           | <u>Appropriated</u> | <u>Cost</u> | <u>% Completed</u> |
|---------------------------|---------------------|-------------|--------------------|
| Temporary Facility (AIFP) | 0.3                 | 0.2         | 100                |
| Design                    | 5.6                 | 5.6         | 100                |
| Building I                | 15.0                | 11.8        | 80                 |
| Building II               | <u>64.9</u>         | <u>55.0</u> | 20                 |
| Total                     | \$85.8              | \$72.6      |                    |

Cost underrun \$13.2 million

Funds already spent and termination costs \$57 million

Maximum savings \$15.5 million

Minimum savings additional funds may be required

There will be no construction costs savings in all probability. 77 percent, or \$57 million, of the total \$72.5 million obligation is already sunk. The consensus is to complete the first medical school building inasmuch as it is 80 percent complete. If work on Increment II were to proceed to the point where a shell were constructed, which Defense appears to favor, the total cost would be \$64 million. Further costs will be incurred for redesign and remodeling of facilities. It is entirely possible the Congress will be required to appropriate additional funds in order to make the buildings usable for purposes other than a medical school. The maximum amount to be saved if construction were stopped today would be \$15.5 million - not \$100 million. What you would buy is a \$57 million medical school building and a parking facility. The University construction program is currently \$13.2 million under the \$85.8 million previously authorized and appropriated for that purpose.

COSTS OF ALTERNATIVES TO THE UNIVERSITY

An additional 1,516 scholarships vice 700 University students at a cost to DoD of \$12.1 million and to the Federal Government of \$27.6 million.

Closing the school will not save \$14 million in FY78 operating costs. GAO has projected that an additional 1,500 scholarships will be required to replace the 700 University students. This increase in scholarships will cost the Department of Defense an estimated \$12.1 million per year. The total Federal cost of these scholarships is estimated to be \$27.6 million.

Department of Defense scholarship costs will increase as tuitions are raised and in order to be financially competitive with HEW scholarship programs.

EDUCATION COSTS OF UNIVERSITY AND AVERAGE CIVILIAN MEDICAL SCHOOL

(Four years)

|                         |            |
|-------------------------|------------|
| Civilian Medical School | University |
| \$187,872               | \$184,168  |

Because of the tremendous medical facilities in the area to which the University can avail itself, the cost to educate a doctor at the military medical school is \$184,168 compared to an estimated average civilian medical school cost of \$187,872.

TERMINATION OF COSTS OTHER THAN CONSTRUCTION

Students - \$300,000 to \$500,000

Faculty \$1.2 million to \$2.2 million

In the event of termination, funds will not be saved in the FY77 budget since students will be in class until August, 1977. This will require both the present faculty and the recruitment or temporary hire of additional faculty which have been projected to meet the curriculum requirements. In addition, placement costs for the present students and faculty severance costs must be considered. Direct student placement costs, which include only first semester's tuition, are estimated as \$300,000 to \$500,000 for the class of 32 students. Costs relating to faculty

termination are estimated to range from \$1.2 million and \$2.2 million.

In sum, it can be said with reasonable assurance there will be no dollar savings from the termination of the University now. It is realistic to believe that at this point in time it will cost less to continue the University than to close it and increase the Scholarship Program.

## COST COMPARISONS

Mr. PACKARD. Let me just say a word or two about how these figures are arrived at, because I think it is very important to understand something about them, and as Senator Johnston said, we have got to be sure that we are comparing apples and apples, and that is one of the problems in this whole program.

Now, I think it has been generally agreed by those of us who have been working for the university, by the Defense Department and by the GAO and others, that the best measure of the cost of these two programs is the cost to obtain 1 year of the service of a physician in the military services. That is the figure that Dr. Smith referred to when he said the cost per year would be \$26,000 for the university program. It would be \$21,000 for the scholarship program, if you do not include the other Federal costs. It would be \$32,000 if you do include the other Federal costs.

Now, those are, I think, figures that were generally agreed on, and I would say that that is by far the best measure.

I want to also point out that the cost to educate a medical student in this Uniformed Services University of Health Sciences, will not be any more than the cost to educate a student in the average civilian medical school around the country. And the comment was made here that nothing can be done in the Government as cheaply, as effectively as it can be done in the private sector, and I assure you that I agree with that proposition in principle, but I would like to point out that in this case, the Congress has put the business of this university in the board of regents, and we have the job of running this program, and we do not have to refer back to all the bureaucracy in the Defense Department, and we have been able to do some things to set this up on an efficient basis. That is one of the prime reasons why the costs of the buildings are coming out less than the estimates. And that is one of the prime reasons why we are going to run this program, if you allow us to continue it, at a total cost which is not going to be in excess of the average medical school in the country. And I assure you that it can be done.

And I assure you that if you continue to support this program, it will be done.

## OBLIGATION OF USUHS GRADUATES

Now, the key element in this whole issue is when the medical school program is in full operation, there will be 700 students. This is 700 students divided by 4 gives you 175 graduates per year. The GAO has determined that the number of scholarships necessary to combine the same number of man years of doctors of the military services would be 1,500. In other words, it will take roughly twice as many scholarships to produce the same number of years as it will physicians in the medical school.

Now, the way that comes about is this: The university requires 7 years of service of its graduates. The scholarship program requires 4. So the first factor you have is seven-fourths, which is 1.75. That is the beginning point, so that you need 1.75 times as many people on the scholarship program as you have students in the university, and that

is an irreducible minimum. That is the absolute base from which to start.

Now, the university students, if they take additional graduate work, can earn additional years of obligation in the military up to 2 or 2½, and a certain number of these students will do that. So some of these students in the university will be obliged for not 7 years but 8 years or 9 years, and I think, under some circumstances, a little more than that. If the average turned out to be 8 as compared to 4 for the scholarship program, this would mean that you would need twice as many scholarships to support the same number of man-physician-years in the military as you would need in the university program.

#### OBLIGATIONS FOR SERVICE

Chairman McCLELLAN. What is the difference if they become a graduate of this school? How much service are they obligated for?

Mr. PACKARD. The implications to this are very important. This says that if you do stand down the university, you are going to have to have 1,500 more students in private medical schools, 1,500 more students would require three medical schools larger than the average medical school in the country, and that is a very important consideration when you are thinking about the need for these doctors.

In other words, in terms of supplying physicians to the armed services, this university that is now in being will do the job that will require two civilian medical schools, simply because of—

Chairman McCLELLAN. That is in addition to what they graduate, is it not?

Mr. PACKARD. In order to get the same number of doctors—

Chairman McCLELLAN. In order to get 175 graduates each year.

Mr. PACKARD. Times the 7 years of obligation, you see. So you have got 175 graduates. Each of them have 7 years of service. You have to have more than twice that many with only 4 years of service, and there are other factors involved, to get the same number of man years of medical support in the military.

Chairman McCLELLAN. Please show all of this information in the statement I have requested.

Mr. PACKARD. I think it is critical to this whole thing.

So here we have a decision, and I can understand it. Secretary Brown came into this office. He had to review a \$100 billion budget and a \$14 million item is not going to attract very much of his attention, and he did allow me to come in and talk to him about it. He didn't listen because I told him some things he didn't remember, and I think he simply made this decision without an adequate understanding of the problem.

I want to come back and talk about the buildings a little more.

Chairman McCLELLAN. The medical student who has a scholarship in a civilian university, is obligated for only 4 years military service, is that right?

Mr. PACKARD. That's right.

Chairman McCLELLAN. If he goes to this university, he is obligated for 7 years military service. Is that correct?

Mr. PACKARD. That is correct.

Chairman McCLELLAN. So you only get 4 years obligated service from the scholarship student?

Mr. PACKARD. And the other you get 7.

Chairman McCLELLAN. And the other, you get 7.

Mr. PACKARD. And there are some additional factors I mentioned. There may be more than seven under certain circumstances. But the GAO has given you a figure which says that it is going to require slightly more than two scholarship students to provide the equivalent of one university student, and that because of these different periods of service and some other secondary factors—

Chairman McCLELLAN. That is a principal factor.

Mr. PACKARD. That is a very critical matter, and I don't think it has been under study.

Chairman McCLELLAN. That factor hasn't been emphasized here this morning.

Mr. PACKARD. Well, I think this really adds up to the fact that if there are going to be any savings, they are not going to be very significant. Everybody admits that the cost to get a year's service from a doctor from the scholarship program is at least \$21,000 as compared to \$26,000 for the university, even if you don't include all the other Federal costs. If you include the other Federal costs, it is going to be more.

So it seems to me that Congress is responsible for the taxpayers' dollars, not just how much the Defense Department spends. And I think you have got an obligation to think about this in the broader sense.

Senator HUDDLESTON. Isn't there another factor there, Mr. Chairman, that ought to be figured in, and that is the cost to the States that support State facilities?

Mr. PACKARD. That is a very important point, and as you know, some States are becoming concerned that they are spending money for medical schools and their graduates are not staying in the States, and so they are very sensitive about spending their moneys to graduate doctors to serve somebody else.

Senator HUDDLESTON. And that is taxpayers' money, too.

Mr. PACKARD. That is taxpayers' money too, absolutely.

Senator HUDDLESTON. I hope in your analysis that the chairman asked for that you will attempt to factor in that cost.

Mr. PACKARD. We will do that, again, and I am particularly anxious to do that now that I have heard some of the testimony this morning, because there is a great deal of misinformation about this thing.

#### UNIVERSITY BUILDING PROGRAM

Now, I want to go back and say a thing about our building program. I have a certain amount of pride in that. If you will pardon my pride, I will tell you and you will perhaps understand why I want to say something about it.

When we first met in the early days of this program, in the spring of 1973, there had already been done some planning for the buildings required and this was directly under the administration of the Navy people, and they brought in to us a set of the initial plans, including

some models, and these initial plans included medical school buildings, buildings for a lot of other things, dormitories, and it was estimated at that time that those buildings would cost \$200 million. I told these fellows at that time that we are here not to build a country club, we are here to build a sensible medical school, and we sent them back to the drawing boards.

They came back a couple of months later with some plans that had been scaled down, at our instructions, to \$125 million, and we were still not satisfied, and we kept working on this program until we got the figures down for the buildings necessary to build the medical school to the \$85 million, which is the figure that you have finally appropriated, and that was done, in part, because of our insistence on cutting out some of the frills. And in fact, I took the two architects who were then competing for the jobs, and some of the Navy people, out to California, and I showed them some of the buildings my company is doing, and my company is building about 1 million square feet per year, which is costing us about \$50 million.

It would cost the Government about three or four times that. So we have had a lot of experience in this business, and it was partly the result of taking these fellows out and showing them how you could build some buildings which would have utilities, which would not have too many frills, and this program is a good program because the regents paid a lot of attention to this whole matter in the early years.

And furthermore, the regents have managed this program on the basis that there are no major change orders to be approved without the approval of the regents.

So this is one of the first building programs that I have heard of around here that has come in under the budget, and I just wanted to point that out because I was a little concerned that you people would think that this program cannot be managed with fiscal responsibility, and I wanted to get that on the record to indicate that I think we have done a fairly credible job in that so far, and I want to assure members of this committee, in fact, Members of the entire Congress, that we are going to do our best to continue to do these programs on a very austere and cost-effective basis.

Senator YORGE. How long are you going to stay on that Board of Regents?

Mr. PACKARD. I am not going to make any promises on that, but there are a lot of other people who can do just as good a job as I am. We will find somebody who can do just as good in case that comes up. But I think the fact that there was very little thought given to what could be done with these buildings at the time the decision was made, as I indicated, I really don't think they understood what was required at that time, and we have not, as the Board of Regents, given any consideration to what might be done with these buildings in case you decide to stand down the program. We are still operating under authorization by the Congress and appropriation by the Congress, and we have no authority to do anything except to continue this building until you people tell us to do something different.

## CONSTRUCTION OF SECOND BUILDING

But I would generally concur with what has been said about the options that you have this morning. I think it would be a great mistake if you stopped the second building at its present status. You would have wasted a lot of money for no useful purpose. I think at the very least you would try and find some alternate use for it, and to do that would involve continuing a substantial amount of the construction and expenditure for phase 2. The numbers you have heard come up to \$60 million or so. In my paper I have estimated that the range would be between \$30 million and \$60 million. I say it is more likely to be \$60 million, and I think it could even be higher than that, and that is not too far from what you have heard from these other people here today.

Now, if you decide to use this building for some other purpose, there are going to be alterations costs, there are going to be a number of other factors, and I think that in considering this decision, you should assume that there will be no significant savings on the building program one way or another, and I think you are just as likely to have some cost increases by stopping the program as far as the building is concerned than the other way around, unless you just get a bulldozer and close the whole thing up, and even then with the obligation, you may not be able to do it.

Now, there is one other thing I ought to point out to you that we returned \$41½ million from operating funds last year. So this is keeping the building funds under budget. We are also keeping the operating costs under budget, and I just submit that to you but point out that it is possible to manage a program under Federal auspices that can be kept under tight cost control, and you don't have to have the overruns and everything that you do.

## OTHER FACTORS

Now, a good deal has been said about the factors other than cost, about this matter, and I don't know that I could add very much to that.

I would particularly like to call your attention to some of the statements in Dr. Odegaard's paper, because he has had a good deal of experience in this, but there are a couple of other things that I think should be pointed out that I believe are very important for your consideration. The first one is that there is, in fact, no new information that is available today that was not available to the Congress when they made the decision last year to go ahead with the appropriation for the building and to fund the operations for the fiscal year 1977. If anything has changed in this scholarship program, it looks as though it has become a little bit more expensive. There are some questions in the scholarship program, that it has already been indicated that at least the costs are likely to go up and that there are some problems with the recruiting of doctors from the other source, just the general source of doctors around the country.

You have heard figures about the numbers of foreign people, foreign doctors that are involved in the program, and I think it would be a tragedy if we ended up with medical mercenaries in the U.S. Army and armed services. I think that would really be an untenable position in the long run. So I think you ought to give that matter some consideration.

#### CREDIBILITY OF PROGRAM

Now, there is another aspect that I think needs to be kept in mind. Here we are with a building underway. We have recruited the faculty, we have got some 50 highly competent people recruited for the program, in addition to those volunteer faculty people who are volunteering their services. We have got, what, 175 of those, and they are very enthusiastic about the program. We have a group of students who made a commitment to our program here, and if the program is stopped today, if this university is stopped today and you decide 1 or 2 or 5 years from now that maybe that was a mistake and maybe you ought to do it, it will be absolutely impossible. Your credibility will have been completely destroyed, and I don't know how you could recruit a good faculty person to a program like this if you stand it down today and then decide at some future time that you made a mistake and that you really have to have it.

#### DOCTOR REQUIREMENTS

Now, I know that one of the big uncertainties in this whole matter is how many doctors you are going to need, but the thing that I think is so important is that this medical school, medical university provides a hard core of dedicated people who are trained specifically for the military medical service and who are exposed to the military from their first year of enrollment in the school, and you can adjust the number of doctors, you can adjust the scholarship program up or down if need be, or you can adjust your recruiting otherwise if need be, and I think it is important to say that I think that the scholarship program is necessary.

I know the university program alone will not do it. As to Senator Stennis' question, why not double the size of the university, that could be done. I would think—well, in the first place we have got to get up to 175 graduates first before you talk about going any further, and incidentally, the buildings that are now under construction that are authorized and fully funded are adequate to handle at least 700 students. We could probably handle 750 or more. So there is no need for us to come back to the Congress for any additional building funds to get our medical school enrollment up to 700 students.

Now, you may want to do more later, you may want to add some more programs, but those issues can be addressed independently of this particular matter, and you can decide at the appropriate time whether or not you want to do something in these other areas.

So I am here to encourage you to keep this program going. I am here to assure you that the Board of Regents has been working very

hard. We have been coming out here almost every month for the last 4 years, and I might also point out that although a stipend of \$100 a meeting is available, I have not accepted a stipend, and I have also paid my own travel costs. So I have been doing this on the basis that I think it is a good program.

Chairman McCLELLAN. I just want to congratulate you on your dedication to this. I know, from the beginning, you felt that this was very important.

Mr. PACKARD. Well, Mr. Chairman, I wouldn't be here if I didn't think this was a good program, I can assure you that.

Chairman McCLELLAN. I know you have been very dedicated to it and very enthusiastic for it.

Senator Young?

Senator Young. I might add that I have never known you to be involved in any foolish business procedure of any type.

Mr. PACKARD. Well, I have at times, but this is not one.

Senator Young. Just one question.

#### STATUS OF FUNDING FOR PROGRAM

What is your understanding concerning the funds authorized and appropriated for this purpose.

Could they be used for any other purpose?

Mr. PACKARD. Well, I don't think so. As a matter of fact, I don't think the building could be stopped without approval of Congress. Now, I am not an expert in this, but certainly it is not appropriate for the administration to thwart the objectives of Congress by impounding funds or diverting them but at the approval of Congress. I don't know exactly what the law is, but I would certainly think it is inappropriate to do so.

So I look on this in the light that the Board of Regents are working for the Congress, and we are here to do what you people asked us to do, and that is what we intend to do.

Senator Young. Thank you very much.

Chairman McCLELLAN. Senator Johnston?

#### FEDERAL DOLLAR USE

Senator JOHNSTON. Mr. Packard, I want to congratulate you on an excellent statement and on your great leadership in this area.

I don't know how they can get away with an assertion that it is going to cost less on the scholarship program when in order to reach that conclusion they had to take Federal money out of the scholarship program, or at least fail to consider Federal dollars that are spent. I mean, to me a Federal dollar is a Federal dollar, whether it is spent on research or it is spent on capitation programs or it is spent directly on a scholarship program. And I mean it looks to me like the figure we ought to use is \$32,000, being the per year productive cost, rather than \$21,000, because dollars are dollars, and you have got to raise Federal taxes to pay those dollars; isn't that correct?

Mr. PACKARD. That is correct, but the thing that I think is worse is the fact that this PBD on which the Secretary made his decision did not put any allowance in there for scholarship costs that would be

needed to replace the university, if it were taken out. He is showing the \$28 million as a complete savings, and that is just plain wrong. That is just plain wrong.

Chairman McCLELLAN. Could we suspend a moment?

I believe we have two more witnesses. I am wondering if we can finish the hearing before recessing. I have another hearing this afternoon that I must attend and chair. I would like to make a little preparation for it. Senator Johnston, would you like to take over for me here now and handle this?

Senator JOHNSTON. I think we can go ahead, Mr. Chairman.

Chairman McCLELLAN. I believe we could finish if you would take over for me. I would appreciate it.

Senator JOHNSTON. Very well. I would appreciate it.

Chairman McCLELLAN. I have to leave to get ready for some other hearings this afternoon. I was glad to be here this morning, and I think we have to look at this matter very carefully. At the moment I don't see any advantage in closing the school. Maybe it will appear somewhere, but I don't see it.

Please continue, Senator Johnston.

Senator JOHNSTON [presiding]. Thank you, Mr. Chairman.

Senator Huddleston?

#### CONGRESSIONAL SUPPORT FOR USOHS

Senator HUDDLESTON. Thank you, Mr. Chairman. I have to leave, too, but I just wanted to commend Mr. Packard for his presentation here and for the leadership he has demonstrated in establishing this university.

I read somewhere where this issue has been before Congress about seven times now. Each time Congress has decided that we should proceed. I haven't been here that long, but I believe this is the third time that it has come before this subcommittee now, and each time, after thorough consideration, the subcommittee has recommended that the full committee has and the Congress has accepted it.

I am waiting for some new information or new reasons for changing those decisions, and frankly, I haven't heard them yet.

Mr. PACKARD. Senator, there is no new information.

Senator HUDDLESTON. That is the conclusion I am about to draw, but I will, of course, wait for the complete hearings and see what has developed. It just seems to me that it makes better sense for us to pursue this course and to provide our own needs for medical services. And, it seems to me, it is particularly critical in the armed services that we not have to depend on foreign trained medical personnel.

I am very much aware of the tremendous problem in our civilian institutions. Like other members, I get letters every week from people, highly qualified young citizens, who want to enter the medical profession, who have very, very high standards scholastically and just cannot get in because the demand continues to be so much greater than the facilities. I don't know what would be wrong with having a little surplus medical personnel in this country for a while. We have been going through these shortages for a number of years, and we know that the cost of medical services has increased.

I think it would be very refreshing—

Mr. PACKARD. It might be good to have competition.

## SURPLUS OF DOCTORS

Senator HUDDLESTON. And it would certainly be economical to the citizens of this country if we had a surplus of doctors for a period of time, and frankly, I would just be glad to see it.

Senator JOHNSTON. You are never going to see a surplus.

Senator HUDDLESTON. I believe that is true; but theoretically if it could happen, I don't think it would be a great disaster to the United States. I think it would be a great benefit. I think that we could devote more attention to research; I think we could devote more attention to preventive medicine, and a lot of other things that would benefit the country if we had a surplus of qualified, trained doctors.

But we are concerned primarily here with the armed services, and I don't think there is any better way to meet their needs than the direction that we are going here.

And I thank you, Mr. Chairman. I do have to run to another subcommittee. Thank you.

Senator JOHNSTON. Senator Sasser?

Senator SASSER. Thank you, Mr. Chairman. I got here about half way through Mr. Packard's presentation. Unfortunately, I didn't get to hear all of it, and I am reading the first portion of it here; but I must say, you made a very, very convincing case as far as I am concerned, and I agree with Senator Huddleston. I don't see at this juncture, anyway, any reason to change the decisions that have been made here in the past. That would be my only thought on it.

Senator JOHNSTON. You are a very persuasive witness, Mr. Packard. Thank you very much, sir.

Mr. PACKARD. Thank you. I am glad I had the opportunity.

Senator JOHNSTON. Our next witness is Dr. Donald Custis, who is the immediate past Surgeon General of the U.S. Navy.

**STATEMENT OF VICE ADM. DONALD L. CUSTIS, M.D., U.S.N., RETIRED,  
PAST SURGEON GENERAL OF THE U.S. NAVY.**

**PREPARED STATEMENT**

Admiral CUSTIS. Mr. Chairman, I do have a statement which will take about 5 minutes to read, and I will provide for the record. I apologize to the extent that after the last 3 hours of testimony it is somewhat repetitious.

Senator JOHNSTON. We will place your full statement in the record at this point and you may summarize it.

[The statement follows:]

Mr. Chairman, I am Dr. Donald Custis, the immediate past Surgeon General of the United States Navy. I am currently serving on a full-time basis as the Deputy Assistant Chief Medical Director for Academic Affairs of the Veterans Administration. I appreciate this invitation to present my views on the desirability of continuing the Uniformed Services University School of Medicine. I should like to make it clear, at the onset and for the record, that I speak for myself alone and that my statements in no way reflect the views or the position of this Administration, the Veterans Administration, the Department of Defense or any other Executive Department on the merits of the matter pending before you.

During my tenure as Surgeon General, I was intimately involved, and a member of the Board of Regents. During that time I witnessed spokesmen for organized medicine, specifically the American Medical Association and the American Association of Medical Colleges, come to acknowledge the need and actively support the development of this institution, both as a critical element for the future quality of military medicine and an incomparable national medical resource.

As you well know, the Congress authorized the creation of this School in the same legislation which provides scholarship subsidies for military health professionals. The latter program was designed to provide volume accessories to compensate for the loss of the doctors draft and the draft driven Berry Plan. We know, from long experience, that those physicians coming into military service directly from private academic sector are not well motivated for military medical careers.

Historically, only one percent of their numbers stayed in uniform for any period beyond their obligatory payback time. The concept of a Uniformed Services Medical School grew from this experience and had an entirely different purpose from that of the scholarship program. This School was designed to provide a hard core of dedicated physicians with early exposure to the real world of Army, Navy, and Air Force environment and to a militarily focused curriculum not found in the civilian sector. I refer to such disciplines as aerospace and underwater physiology, tropical medicine, combat surgery and military medical logistics. The resources for such unique instruction are presently ongoing in such outstanding facilities as the Armed Forces Institute of Pathology, the Armed Forces Radiobiologic Institute, the Army and Navy Medical Research Institutes and the National Library of Medicine. All are adjacent to the new School's campus. In addition, there are the multiple specialized domestic and overseas military medical research laboratories and finally, the exceptional teaching base of Walter Reed, the Bethesda Naval Hospital, and the National Institutes of Health.

It is statistically a fact that recruitment of physicians off the street has fallen far short of need and has been too heavily dependent upon foreign medical graduates. Projections for coming years signal increasing short falls in recruitment. Far more important, however, is the matter of retention. Budgetary restraints in recent years, compromising so many of the all volunteer medical force programs, have had their adverse effect on the morale of our military physicians. The Uniformed Services Medical School is one of the most important of those programs. The enthusiasm and professional pride engendered by this project has permeated the ranks of our finest military physicians anxious for the opportunity of academic involvement. The consequence of cancellation of the School at this late date must be measured in more than wasted dollars. I, for one, would predict a palpable backlash in personnel loss by resignation and retirement stemming from disillusionment.

I will leave to others a repetition of the cost analysis which has been argued many times here and elsewhere. I am constrained to say, however, that the figures are there to convince any impartial witness of a favorable comparison with the true total cost of private medical education. When based on the extended years of active service from career commitment, those costs, in my judgment, represent a bargain investment.

In closing, Mr. Chairman, I would like to express a concern which has hitherto largely been ignored. I now question the premise that such a Medical School, striving to produce a unique type of physician manpower for all of the uniformed services, properly belongs under the administrative aegis of the Department of Defense. No medical school could long survive such inconsistency of support. Without a stability of resource expectation, death by attrition will ensue. I would submit that the Department of Defense manifestly has other priorities which have been, and promise always to be, more pressing. If Congress is to permit this School to achieve its fine potential, it might well consider whether its intention might be better served under other, more appropriate federal auspices.

#### SUMMARY STATEMENT

Admiral CURTIS. I should explain that I am the immediate past Surgeon General of the United States Navy, and I am currently serv-

ing on a full-time basis as the Deputy Assistant Chief Medical Director for Academic Affairs of the Veterans Administration.

I appreciate this invitation to present my views on the desirability of continuing the Uniformed Services University School of Medicine. I should like to make it clear, however, at the outset and for the record that I speak for myself alone, and that my statements in no way reflect the views or the position of this administration, the Veterans Administration, the Department of Defense, or any other executive department on the merits of the matter pending before you.

Mr. Chairman, during my tenure as Surgeon General, I was intimately involved, and I was during a period of 4 years a member of the Board of Regents. During that time I saw organized medicine, and the spokesmen for organized medicine, do a 180 degree about face on their recognizing the need for and actively lending support to the development of this school.

The president of the AMA has served as a member of the Board of Regents. The president of the American Association of Medical Colleges has been a very active supporter in the school's development. I think it is important to realize, as has been brought out here before, that the same legislation that created the scholarship accession program for military medicine also established this school, but for an entirely different reason. The scholarship program was meant to provide a volume of accessions, but the school was to provide something entirely different, and the reason was that we have come to know historically, through the years, that the graduates of civilian medical schools coming directly into the military medical environment are manifestly not motivated for a career in military medicine. As a matter of fact, about 1 percent of their numbers stay 1 day in uniform beyond their payback time.

But this was to be something different. This was a design to provide a hard core of dedicated physicians with early exposure to the real world of Army, Navy, and Air Force environment, and to a militarily focused curriculum not found in the civilian sector.

The uniqueness has been defined this morning, and the institutions that are already there can provide this uniqueness in curriculum, and I refer to such things as the Armed Forces Institute of Pathology, the Armed Forces Radiobiologic Institute, the Army and the Navy Medical Research Institutes, the National Library of Medicine, to say nothing of the research laboratories all over the world that have been doing very important research in tropical medicine, and the clinical base of those hospitals, the Navy hospital at Bethesda, and at Walter Reed, in direct proximity to the new school.

I find that the optimism of those who feel that the services can recruit the shortfall from off the street is a little hard to understand based upon my experience.

#### FOREIGN-BORN DOCTORS AT VA HOSPITALS

Senator JOHNSTON. Doctor, let me interrupt you at that point. I was down at the VA hospital in New Orleans on Friday, and I think the figures showed that something like 60 percent of the doctors down there are foreign born.

Is that typical throughout the VA?

Admiral CUSTIS. The overall percentage of the foreign born in the VA staffs is significant. I can't give you the exact figure. I don't believe it is as high as 60 percent.

Senator JOHNSTON. Maybe it is 60 percent of the new staff.

Admiral CUSTIS. Well, maybe in the residents —

Senator JOHNSTON. The residents, that is what it was.

Admiral CUSTIS. Well, the residents, the affiliates, they are all products of affiliations with medical schools, and the percentage of foreign medical graduates depends heavily on what the schools' percentages of residents are. There are some areas where this is as high as 80 percent house staff foreign medical graduates, notably in such areas as New York, Detroit, and Chicago. If I may just pursue the foreign medical problems for a little bit, Mr. Chairman, what the Congress mandated in the health manpower legislation, Public Law 94-484, was that foreign medical graduates would have to pass an examination equivalent to the National Board of Medical Examiners before they could obtain, one, a visa, or two, come in through the immigration system, and that specifically the J visa program would end in December of 1980. The immigration would go on, the immigration opportunity would go on, but the physician, the foreign physician would no longer have any preferential treatment.

The Secretary of HEW realized that if there should be a sudden chop-off as of January of 1977, there would be hospitals through the country, especially the charity hospitals in the big urban areas, that would be almost wiped out of house staff. The impact on the military would be quite small, because the total percent of FMG's in the military is still small. I think the figures that Dr. Smith was giving referenced a total accession percentage and not the percentage that has to be resorted to, to successfully meet a recruiting quota of physicians off the street.

#### DEPENDENCY ON BERRY PLAN

The total accessions to the military medical services now are still heavily dependent upon the Berry Plan, U.S. graduates, and it is true that that percentage remains low. But to make up this difference between the accessions through scholarships, the Berry Plan, which next year will be completely over, dry, the services do indeed have to depend heavily on FMG's.

In my experience, we were very careful in trying to check out their credentials, and even so we had some very unfortunate products that we recruited.

Senator JOHNSTON. When you say you can't cut it off in January 1977, does that mean that the Secretary of HEW is using his discretion to not fully implement the law?

Admiral CUSTIS. He has the discretion to provide a substitute examination. The National Board of Medical Examiners, incidently, is not available overseas, so the law was rather unfortunate in that it called for an examination that couldn't be given.

What the Secretary of HEW proposed to do was to use a moratorium for a period of time. Unfortunately, the redtape has not been overcome, and as of this date, that moratorium is not in effect.

There was a meeting just last week in the State Department with representation from HEW, the State Department, and the Depart-

ment of Labor, that have vested interests, and representatives from schools across the country and hospital administrators. The general tenor of that meeting was one of great concern because of this sudden cutoff and no answer as yet in the form of a moratorium to delay that cutoff.

#### SURPLUS OF DOCTORS PREDICTED BY AMA

Senator JOHNSTON. Let me ask you one more question and then I want to turn it over to Senator Sasser.

How can the American Medical Association tell us that we have got enough doctors now and we are soon going to have a surfeit of doctors. I mean, that is just contrary to the experience of man.

How can they do that? do you know?

Admiral CUSTIS. Senator, I think it is not so much the AMA as it is certain Federal authorities and certain studies that were done, notably the Carnegie Foundation report. The AMA finally did accept some of these studies, but the driving force was not the AMA, or is not the AMA in contending now that there is going to be a glut of physicians. That is HEW and certain studies as the Carnegie report.

Senator JOHNSTON. I mean, what is the basis of that? We can look around and see that we are doctor-short. We can't get doctors at any price, and yet they say we have got enough.

Admiral CUSTIS. The basis of extrapolating what the increased enrollments will do in terms of volume output in the 1980's and beyond, it is an exercise in analytic forecast.

Senator JOHNSTON. Well, I guess that must be from the standpoint of the doctors or something because I just know that there are not enough doctors. The law of supply and demand tells you that if you have got enough doctors, then they are not going to be making incredibly large salaries and have waiting lists for treatment and such, but that is precisely what we have.

Admiral CUSTIS. For what it is worth, Mr. Senator, I agree entirely with you. I can't believe that those figures are accurate, especially if the legislation 484 succeeds in shutting off the spigot of foreign medical graduates. They are coming into the country now, and have been for several years, at the rate of 15,000 a year. There are something around 50,000 of the 300,000 physicians in the country, 50,000 of them are FMG's, and they are being augmented at the rate of 15,000 a year. The sudden cutback in that is going to have a considerable effect on the total physician population in the 1980's.

Senator JOHNSTON. Thank you, Dr. Custis.

Senator Sasser?

#### REMOVAL OF USUHS FROM DOD AUSPICES

Senator SASSER. Dr. Custis, you make reference here on the third page of your prepared statement to a belief that perhaps this medical school should not operate under the auspices of the Department of Defense and be subject to budgetary whims there, but perhaps should operate under the auspices of some other Federal agency.

Do you have any other auspices in mind at the present time that you would care to comment on other than the Department of Defense?

Admiral CUSTIS. The important thing I had in mind there, Senator, was we have seen over a period of the last few years in trying to give birth to what the advocates feel is the most important program to assure quality of military medicine tomorrow, we have seen such waxing and waning of support from the Department of Defense, we have seen that they clearly have priorities that are more pressing than this one, and I would submit that no school can long endure under such instability of support. Surely there must be some other auspices that could be assigned that would give them the constancy of expectation of resource.

I think of all of the reasons that were originally cited in testimony to the Congress when this legislation was first being considered, the most significant concern that was voiced in my opinion was whether or not a school depending on a Federal agency could have the constancy of budgetary support that it needed to succeed. And it seems to me that that concern has been borne out by the actions of the last few years. When does the time come when the Congress can say this is the decision made, this will be supported, and the school will be able to depend on it?

I think if the Congress should turn this situation around right now, that there is already considerable damage done in terms of credibility, in terms of recruiting more faculty, in terms of attracting candidates for admission, all of them wondering will we go through this again next year, and the next year. That is really what is behind the last paragraph, Senator. As to how it might be, who would do it, I would leave that to your good judgment.

What I am saying here is a good school, to be successful, has to have some stability.

#### MILITARY OBLIGATION OF GRADUATES

Senator SASSER. Let me ask you this, and this is a very basic question, I am not familiar with this topic as Senator Johnston or some others may be.

What are the requirements of a graduate of this medical school in terms of remaining in the Federal service? In other words, is there a commitment—I am sure there is—for so many years of Federal service?

Admiral CUSTIS. The initial requirement is 7 years over top of the 4 years of medical education. On top of that, graduate medical education carries with it another payback requirement. On the average, the average residency for graduate specialty training, whether it be in primary or tertiary care specialty, carries an additional 2 years, so that after 4 years in school there would follow 7 or 9 additional years, which would take a man into 13 years, 14 years in uniform, and for the most part, as long as there were a 20 year retirement option, that man would almost certainly stay for 20 years.

Senator JOHNSTON. His years in residency don't count against his 7 years' obligation?

Admiral CUSTIS. That is in addition.

Now, if that same individual were trained, got his graduate medical education in the private sector, he would incur a year for year, as I understand it, a 4 year extension.

## OBLIGATION OF SCHOLARSHIP STUDENTS

Senator SASSER. Out of the present scholarship system, what is it, a 3 year obligation?

Admiral CUSTIS. The scholarship is 4 years, paid back for 4 years medical school. Something that hasn't been brought out that I think is really worthy of record entry, is that the HEW scholarship program is becoming so much more competitive with the military scholarship program that it is becoming serious. It is my understanding this year for the first time there was incomplete filling of scholarship billets for the military side. The stipend from the HEW scholarships is half again as much and the payback time is not nearly as exacting, the total numbers HEW recently announced would go to a total of 24,000 scholarships, there being only 50,000 medical students in schools in the United States.

A man can finish and draw half again as much stipend from an HEW scholarship and obligate himself to practice in a medically deprived area, but on a fee for service basis, and enjoy an income far greater than he can get in the military.

Senator SASSER. I don't have any further questions, Mr. Chairman.

Senator JOHNSTON. Thank you very much, Dr. Custis.

We appreciate your testimony very much.

Our final witness this morning will be Dr. John E. Chapman, dean of the School of Medicine of Vanderbilt University.

I think Senator Sasser has heard of that institution before.

Senator SASSER. I certainly have. I am a graduate of that esteemed institution, and I am glad to see Dr. Chapman here today.

Senator JOHNSTON. We are glad to have you here, Dr. Chapman.

## VANDERBILT UNIVERSITY SCHOOL OF MEDICINE

## STATEMENT OF JOHN E. CHAPMAN, M.D., DEAN, SCHOOL OF MEDICINE, VANDERBILT UNIVERSITY

Dr. CHAPMAN. Mr. Chairman. I will take precisely 8 minutes and 20 seconds, and then whatever time you have to ask of me.

I come here to testify as a medical educator of some 20 years of experience in medical education and for many of those years as a participant and an observer of medical education in both developed and developing medical schools. By training I am a pharmacologist, clinical pharmacologist, internist and toxicologist. By profession I am a medical educator and a medical administrator and currently dean of the School of Medicine, Vanderbilt University, Nashville, Tenn. I am a member of the advisory committee of the liaison committee on medical education which accredits medical education in the United States and have on numerous occasions been both a participant as well as chairman of committees which examine medical education in both new and fully developed medical schools in this country over the past several years. I have also chaired national study and policy committees on student finances.

It is from the perspective of having reviewed the status of essentially every medical school in this country, as well as the perspective of being a dean, acting vice chancellor, and associate dean related di-

rectly to students in medical education that I speak to you today to the subject of the feasibility of a Uniformed Services University of the Health Sciences. I also speak from a unique perspective of having been a member of a survey team which visited the Uniformed Services University of the Health Sciences on April 19, 20, 21, and 22 of 1976 for purposes of evaluating that program.

The conclusions and statements which I provide you are my own, and represent the thinking that I feel, based upon the experience I have had with students, with medical education, with curricula and with the American medical scene. I do not speak for any particular organization, but rather represent an independent view of one dean with experiences in medical education and with medical students at all levels, from assistant to the dean through assistant dean, associate dean, dean, and at one time acting vice chancellor.

When I learned of the plan, now long-standing and of much debate, for a Uniformed Services University of the Health Sciences, I initially had some reservations. I had worked with students for many years and found that a number of students, sometimes significant, sometimes miniscule, saw advantage to and participated in the various scholarship programs of the several services to support them while in medical school. However, as time pressed and I gained in experience, I found that these students divided themselves into two groups, a relatively large group which undertook the scholarship responsibility through force of financial circumstances, and a smaller group which felt a dedication and an attraction to military medicine. The former group sought to discharge military responsibility as quickly as possible and depart while the latter group represented the core of the Medical Corps of the various services.

It is my view that economically it is less expensive and functionally to greater advantage to attract those who are truly attracted because of strong motivation and to train and educate those of strong motivation in areas in which that motivation is strong and enduring.

A Uniformed Services University of the Health Sciences provides a focus for this group to express that motivation and to organize that motivation into mobilizable activity in a manner which can be, indeed must be, of high quality both in terms of qualifications of the individual and in terms of the program to which the individual is exposed, as well as an economically sound investment which endures.

I depart here, Mr. Chairman, to say that I have reviewed the data, and I feel it is a sound investment which will endure.

There is little which can be more expensive than the constant turnover of physicians, the physician who is there because he must be, not because that physician wishes to be. The former is expensive and potentially a liability. The latter is less expensive and a great asset. There is a certain pride in any medical school to be dedicated to those principles of strength that that medical school holds to be important and of priority value.

The Uniformed Services University of the Health Sciences will provide a focus for those individuals who hold the principles and objectives of this University in high priority. It is true that military scholarships can and do provide for a certain number of students who ultimately enter the armed services and stay. It is my view that there is strength in diversity and significant weakness in a common uni-

formity. Thus it would be my view that those who indicate that it must be one or the other seek the simplistic approach and ignore the fact that our economy, our security, and indeed, our way of life is built on diversity wherein a common thread wherein organizations are developed which address specifically principles and priorities of unique interest to particular individuals involved.

It is my assertion that the Uniformed Services University of the Health Sciences provides that focus for individuals dedicated to and who hold a priority for military medicine and far from being a financial liability, it is a financial asset to have highly motivated people in a quality program which develops a tradition around which develops the motivation which is economically sound in that it perpetuates itself—let me say again, it perpetuates itself. Strength builds upon strength. The diversity that is provided through not only the Uniformed Services University of the Health Sciences, but the various military scholarship programs will together provide that diversity and that strength which provides for certainty and security for our medical services. We know that the Department of Defense is currently short by almost a third of the authorized physicians in the Reserve. Further, most of the physicians available through the Reserve are rather senior in years. We need to build a youthful, dedicated, interested, committed group of physicians in military medicine. It is my assertion that the Uniformed Services University of the Health Sciences will provide that important need and will provide for that important need in a manner which is economically feasible.

I think the people who monitor the budget would do well to remember an axiom which I learned as a student of evaluation and of budget making. I quote, "All that counts cannot be counted, and some that counts most cannot be counted at all and counterwise all that we count may not count at all."

While it is a catchy phrase, it does have some substance to it, in that the magic of numbers does not count the motivational factors, the factors of dedication, the factors of turnover, the factors of pride, the factors of quality and the factors of service.

#### ACTION OF CONGRESS

I would add but one further comment, namely that Congress acted to create a medical school, a Uniformed Services University of the Health Sciences, and did so after debating the issue many times over many years. Students are studying in that University at the present time, faculty have been recruited, progress has been made, schedules have been met, commitments are in place, a curriculum has been developed and approvals have been achieved. To reverse field at this point would tend to confirm one of the greatest fears that some of us, certainly I, had as this concept of a governmentally free-standing medical school developed, namely, that the institution would not be an institution but a political organization and would engage in the political process more than it would engage in the academic process of educating physicians and other health care professionals.

It is my view that in order to be a stable, viable institution which will attract faculty and students of high quality, that issues of on-again, off-again must be converted into what do we want, rather than

do we want it. That point has been passed, the latter question has been answered through your action; do we want it? The answer has been yes. And now it is present and functioning.

It seems to me important to address how much do we want and of what type, for this comes with a decision and a commitment, a fundamental commitment not to dangle an organization at the end of a string but rather to firm it up, to focus it clearly and support it wisely to produce the desired result. It can be done, you have the resources and you have the power to do it.

With these few comments, you know something of me and of my views, I am here to respond to whatever inquiry you may wish to make of me.

Senator JOHNSTON. Thank you very much, Dr. Chapman. You have an excellent statement.

I thought we had answered the question of whether or not we wanted it last year, a year before last and the year before that, and I don't know how many times. We keep going into these studies, and we keep coming back and reviewing the evidence and being satisfied that, indeed, this is sound fiscally. I don't accept the view that it is more expensive and that we "have to count that which does not count." I don't accept the view that only those intangibles make it make sense fiscally. I think it makes sense fiscally right now. I think it was sort of a little accounting ledgerdemain to say that the scholarship program was cheaper than this. I think this is cheaper. I think it is very plainly cheaper. They just don't include some of the Federal dollars when they say it costs more.

But indeed I think you are very correct as well in pointing out those additional factors which are so important—that you can't bring on just a balance sheet, that there are things which relate to quality and morale and, as you put it so well, all of those things that "don't count."

Senator SASSER?

#### QUALITY OF MILITARY MEDICINE

Senator SASSER. Well, let me say, Mr. Chairman, that I want to welcome Dr. Chapman here, who happens to have the misfortune to be one of my constituents, but I am very much persuaded by what he has to say here today. Vanderbilt Medical School is certainly one of the finest medical schools in the country, and we have always been proud of it in Tennessee, and its graduates have made, I think, have been a real credit to the medical profession.

And I might say, Dr. Chapman, that you touched on something here that I haven't heard before. We have been talking about whether or not this medical school makes sense from a budgetary point of view, and I think you touched on something very important, and that is the quality of military medicine which is going to be practiced, and when you talk about motivation of the practitioner of military medicine, I think that has much to do with the quality of medical care which the members of our armed services would get.

And I would say, Mr. Chairman, at the risk of testifying myself, and you may want me to get on the other side of the table, but I would say that we have an obligation to see that our people in the military get

quality medical attention, particularly the highest quality of medical care that they can be given under, for example, battle conditions, and I started to ask one of the other witnesses a moment ago what was the profile of the physician who served either near the front or close to the front in the Vietnam war? What sort of training did he have? How many years experience did he have when he was getting these battle casualties and coming in there 1 hour or 2 hours after they were wounded?

You don't have any information on that, do you, Dr. Chapman?

Dr. CHAPMAN. I can respond. I think it is a myth that all schools are alike. They are not. Each school has a profile, but there is a certain core of information that every physician gets as every physician goes through medical school. It is rarely you forget how to swim. But there is a particular style, in fact, there is a study called the typo, t-y-p-o, typographical analysis of U.S. medical schools. The Armed Forces School is not in there for it was not in that study. That study does not purport to say this school is better than that school. It just says schools are different, and it divides them into 10 groups.

So you are correct, Senator Sasser, in that a student coming from a particular school would have a particular emphasis, a particular view, a style about that particular physician to address a particular subject. I think it would be wrong to say that other students would be unable to address that issue, but they would be unable to address that issue with the same style, the same attitude, the same background as one from the university, the Uniformed Services Medical School.

I can't give you the profile of the classical person in the Vietnam war who addressed casualties, because those people came from a wide variety of schools, all schools, in fact, I would bet, but I can say that given a university that is dedicated to military medicine, and given those students who are dedicated to this as a career, they would bring the same skills as would one from Vanderbilt, but they would have the perspective of the priorities of the Uniformed Services University for the Health Sciences, and that I think is a great asset.

Senator SASSER. Thank you very much, Dr. Chapman.

Dr. CHAPMAN. In commenting on your point, I did not address the financial, the fiscal circumstances of this, for I felt others better able to do so.

But I can argue this from either way, that which counts or that which you can't count, and I come to the same conclusion. The equation is the same.

Senator JOHNSTON. Well, this committee has come to that same conclusion on a number of occasions before, and I dare say that the committee is going to come to that same conclusion again—and I suspect the Senate and the House will as well.

Thank you very much, Doctor.

#### SUBCOMMITTEES RECESS

Senator JOHNSTON. The subcommittees will recess subject to call.

[Whereupon, at 12:53 p.m., Monday, March 21, the joint meeting of the Subcommittees on Defense and Military Construction was recessed, to reconvene at the call of the Chair.]